Veterans Affairs

2006-2007 Performance Report

The Honourable Greg Thompson, P.C., M.P.
Minister of Veterans Affairs

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SECTION I - OVERVIEW

Minister's Message

As Minister of Veterans Affairs, I am pleased to present our *2006-2007 Departmental Performance Report*. We have accomplished a lot in the past year as we continue to pioneer new and better ways to support and care for Canada's Veterans.

We are privileged to care for the brave men and women of Canada who have done so much to support peace and security around the world. VAC serves a diverse clientele, from Veterans of the Second World War and Korean War; former and still-serving members of the Canadian Forces and the Royal Canadian Mounted Police; and eligible family members (survivors and dependants). In addition, through our remembrance programs we keep the flame of remembrance alive so that future generations will better understand the value of freedom.

In April 2006, we implemented the New Veterans Charter. It marked the most sweeping change to Veterans' benefits and services since the Second World War in 60 years. I am pleased to say that the suite of programs are responding to the needs of our Canadian Forces members and their families as they make the transition from military to civilian life. Funding announced in Budget 2007 provided needed support to Canada's Veterans - young and old, making a significant contribution to improved service to our war-service Veterans and strengthening mental health treatment and family support for our younger Veterans.

This year we made significant progress towards our goal of establishing a Veterans Bill of Rights and a Veterans Ombudsman office, both of which were created and announced on April 3, 2007 by the Prime Minister. In addition, we are continuing with one of the most extensive health services reviews ever undertaken at Veterans Affairs. We established permanent funding for the Juno Beach Centre, our only tribute in Europe for Canada's remarkable efforts in the Second World War. We organized overseas events marking the 90th anniversary of the Battles of the Somme and Beaumont-Hamel and planned the 90th anniversary of the Battle of Vimy Ridge. On April 9, 2007, tens of thousands of individuals, including 5,000 Canadian youth, gathered in France and in Canada to mark the 90th anniversary of the battle of Vimy Ridge. The Government of Canada's signature event in France was comprised of a ceremony of remembrance and the dedication by Her Majesty Queen Elizabeth II of the newly restored Canadian Vimy Ridge Memorial.

As Minister, I have had the opportunity to see first-hand the dedication, professionalism and outstanding work performed by our staff. Employees fully understand that our Veterans are in great part responsible for helping build this great country and for securing our values of freedom, democracy and the rule of law. We have a duty to never forget the debt we owe our men and women in uniform, and to never take for granted those who have sacrificed and continue to sacrifice for us.

The Honourable Greg Thompson, P.C., M.P.
Minister of Veterans Affairs

Chair's Message

I am very pleased to report on the progress of the Veterans Review and Appeal Board in achieving our plans and priorities for 2006-07.

The Board's mandate is to ensure that Canada's Veterans, Canadian Forces (CF) and Royal Canadian Mounted Police (RCMP) members, and their families receive the benefits to which they are entitled under the law. We fulfill this responsibility by providing fair and independent reviews of disability and War Veterans Allowance decisions made by Veterans Affairs Canada, at the request of individuals. In 2006-07, the Board received an increase in such requests over the previous year. This is significant because it highlights the important role of the Board in facilitating Veterans' right to appeal. It also challenges us to find ways to process claims effectively while upholding the principles of fairness and natural justice.

The Board had an exceptional year in 2006-07, delivering a strengthened program of redress to better serve our applicants. More than 7,100 individuals had their claims adjudicated, exceeding the previous year's caseload by 500 and our own target by 600. In addition, the Board issued decisions more promptly with 90 per cent of Reviews and Appeals finalized in an average of 29.2 and 24.1 days, respectively.

The Board continued to act on valuable input received from applicants through a national survey conducted in 2005 and worked to improve overall communications. We enhanced the forecasting and reporting of our workload through much-needed changes to the process for registering claims. Also, we identified strategies for continuous service improvement through regular dialogue with the Bureau of Pensions Advocates and The Royal Canadian Legion.

The Board experienced renewal of its membership in 2006-07, with 12 Members appointed through our competency-based Member Selection Process. A revitalized professional development program prepared these new Members to adjudicate increasingly complex claims. Members and staff collaborated to achieve the Board's commitment to be accountable to Canadians and to provide applicants with consistent, evidence-based decisions supported by law. I have no doubt that the creation of a Veterans Ombudsman and a Veterans Bill of Rights will provide us with opportunities to further improve our quality of service.

In order to build on this progress, the Board will continue to uphold the values of impartiality, excellence, integrity and respect in delivering an effective and independent redress program for our applicants.

Victor A. Marchand
Chair, Veterans Review and Appeal Board

Management Representation Statement

We submit for tabling in Parliament, the *2006-2007 Departmental Performance Report* for Veterans Affairs, a Portfolio comprising Veterans Affairs Canada and the Veterans Review and Appeal Board.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2006-2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports:*

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the Portfolio's approved Strategic Outcomes and Program Activity Architecture structure that were approved by the Treasury Board;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Suzanne Tining
Deputy Minister
Veterans Affairs Canada
September 20, 2007

Victor A. Marchand
Chair, Veterans Review
and Appeal Board

Summary Information

The Veterans Affairs Portfolio exists to repay our nation's debt of gratitude to those men and women whose courageous efforts have given Canada a legacy of peace and freedom and have contributed to our growth as a nation. It is comprised of Veterans Affairs Canada (VAC or "the Department"), and the Veterans Review and Appeal Board (VRAB or "the Board"), which operates at arm's length from the Department. The Department's vision is *to provide exemplary service that meets the needs of our clients and honours the sacrifice and achievement of our Veterans and clients.* The vision of the Board is *to be an exemplary leader in administrative tribunals and to demonstrate fairness, competence and excellence in service to Canadians by providing independent, consistent and reasonable decisions that are grounded in law.*

The Portfolio provides programs and services to a highly diverse clientele that reflects the remarkable breadth of Canada's contributions to world peace. Our family of clients includes Canada's war service Veterans, Canadian Forces (CF) Veterans and members, past and present members of the Royal Canadian Mounted Police (RCMP), their survivors and dependants, certain Allied Veterans and eligible civilians. On a broader scale, the citizens of Canada are also clients. In our efforts to keep alive the achievements and sacrifices of those who serve Canada in times of conflict and peace, VAC reaches out to Canadians and communities, at local, national and international levels. Given that today's young people will play a major role in keeping the legacy of Canada's Veterans alive for future generations, the Department is making a concerted effort to reach out and engage youth.

By exercising our mandates and delivering benefits and services to our family of clients, the Portfolio is contributing to the Government of Canada's social and economic outcomes. The mandates are as follows:

Veterans Affairs Canada's Mandate

VAC's mandate stems from laws and regulations. Among the more significant is the *Department of Veterans Affairs Act*, which charges the Minister of Veterans Affairs with the following responsibilities:

"The care, treatment, or re-establishing in civil life of any person who served in the Canadian Forces or merchant navy or in the naval, army or air forces or merchant navies of Her Majesty, of any person who has otherwise engaged in pursuits relating to war, and of any other person designated . . . and the care of the dependants or survivors of any person referred to . . . "

Veterans Review and Appeal Board' s Mandate

The Veterans Review and Appeal Board has full and exclusive jurisdiction to hear, determine and deal with all applications for review and appeal that may be made to the Board under the *Pension Act*, the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*, the *War Veterans Allowance Act* and other Acts of Parliament.

Planned Spending and Human Resources for Veterans Affairs

Financial Resources ($ millions)

Planned Spending	Total Authorities	Actual Spending
3,204.1	3,298.7	3,028.0

Human Resources (Full-Time Equivalents)

Planned	Actual	Difference
3,758.0	3,695.0	63.0

Departmental Priorities

($ millions)				2006-2007 Planned Spending	2006-2007 Actual Spending
Strategic Outcome: Eligible Veterans and other clients achieve their optimum level of well-being through programs and services that support their care, treatment, independence and re-establishment.					
Priorities: • Enhancing and adapting programs and services to meet the needs of our Veterans, serving members, other clients and their families • Implementing a Mental Health Strategy to enhance capacity to meet the mental health needs of clients	**Program Activity:** Pensions, Awards and Allowances for Disability and Death; and Financial Support	**Expected Result:** Eligible Veterans and others are appropriately compensated to contribute to their well-being	**Performance Status** Successfully met	2,065.4	1,932.8
	Program Activity: Health Care and Re-establishment Benefits and Services	**Expected Result:** Eligible Veterans and others receive appropriate health benefits and rehabilitation services to contribute to their well-being	Successfully met	1,062.5	1,021.5

($ millions)				2006-2007 Planned Spending	2006-2007 Actual Spending
Strategic Outcome: Canadians remember and demonstrate their recognition of all those who served in Canada's efforts during war, military conflict and peace.					
Priority: • Engaging Canadians in community-based remembrance activities with an emphasis on Canada's youth	**Program Activity:** Remembrance Programming	**Expected Result:** Canadians who commemorate, understand and value the achievements and sacrifices of those who have served Canada in war, military conflict and peace	**Performance Status** Successfully met	62.5	59.6
Strategic Outcome: Fair and effective resolution of disability pension, disability award, and War Veterans Allowance appeals from Canada's war Veterans, eligible Canadian Forces Veterans and members, RCMP clients, qualified civilians and their families.					
Priorities: • Improved program delivery • Engaged communication with appellants and stakeholders	**Program Activity:** Veterans Review and Appeal Board redress process for disability pensions and awards	**Expected Result:** Fairness in the Disability Pension, Disability Award and War Veterans Allowance Program	**Performance Status** Successfully met	13.7	14.1

Operating Environment

Veterans Affairs Canada is influenced by a variety of internal and external factors. While fulfilling its mandate, the Department must be cognisant of the: Government of Canada's broader policy priorities, including its vision for Canada; Canada's level of military involvement in operations and conflicts; the changing demographics of our client base and the Canadian workforce; and the need and desire of Canadians to have a public service that is transparent and accountable.

The April 2006 *Speech from the Throne* reflected Canadians' preoccupation with health care along with the Government of Canada's other priorities of the economy, the environment, and education. As well as continuously striving to improve the delivery of health care benefits and services to our clients, VAC also has an important role to play in the Government of Canada's strategic priorities relating to Canada's role in international security and health care in the 21st century.

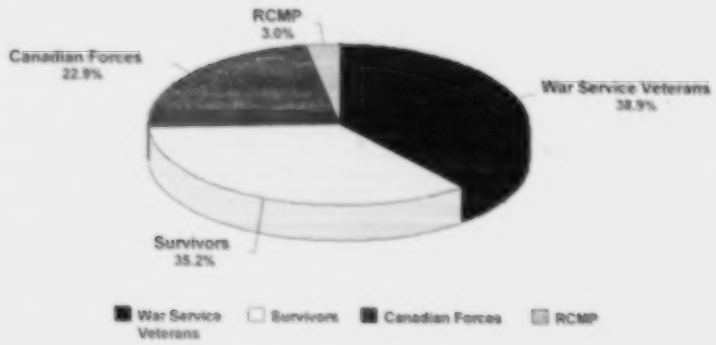
In support of Canadian Veterans, the Government's commitments included implementing the New Veterans Charter, conducting a Veterans' health services review, creating a Veterans Bill of Rights and taking steps leading to the establishment of a Veterans Ombudsman. As well, VAC has taken a lead role, working closely with the Department of National Defence (DND), to develop options to resolve the uncertainties about the health effects related to the testing of unregistered U.S. Military herbicides, including Agent Orange, at Canadian Forces Base (CFB) Gagetown in 1966 and 1967.

In recent years, Canadian Forces members have served in many capacities at home, and throughout the world as part of United Nations, North Atlantic Treaty Organization and other multinational task forces involved in peacekeeping and peacemaking missions. Recently, the pace of deployments and the number of Canadian Forces members serving in international operations has increased significantly, with frequent and prolonged deployments to war zones. The result of this increased pace and intensity for our armed forces is a corresponding increased need for care and treatment for physical and mental injuries sustained while in service to the nation.

In response to this increased need, the New Veterans Charter was implemented on April 1, 2006. It represents the most sweeping change of VAC programs and services since the Second World War. These new programs and services stand as a model for other countries. They are designed to help our younger Canadian Forces Veterans successfully make the transition to civilian life through rehabilitation and reintegration programs.

VAC is a growing, medium-sized department with a renewed and highly relevant mandate. It has an extensive service delivery network of 38 offices across Canada. The Department, headquartered in Charlottetown, Prince Edward Island, is the only department of the Federal Government located outside the capital region of Ottawa. It has approximately 4,000 employees. Its 2006-07 operating budget was $3.2 billion.

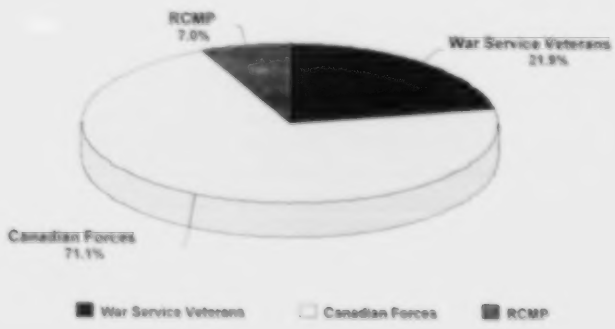
As of March 31, 2007, VAC was providing benefits and services to approximately 221,000 clients. Our client base has been shifting and is expected to change dramatically over the next 10 years. While the Department is witnessing a decline in the number of war Veterans we serve, there continues to be an increase in the number of Canadian Forces clients who are looking to VAC for support and assistance. In fact, forecasts point to increases in the total number of clients accessing VAC programs and benefits in the near future. The following is a breakdown of VAC's clients as of March 31, 2007.



VAC remains committed to improving the quality of life for older Veterans who served in times of war and improving the quality of life for clients who live with mental health conditions, whether they be older Veterans or younger Canadian Forces (CF) members. The resolve to become a world leader in the treatment of operational stress injuries (OSI) has intensified because of the increase in the prevalence of mental health conditions and a lack of community based mental health services across the country for clients seeking treatment.

As well, the Department continued the work of improving its programs and services. An example is the health services review which is underway. It is designed to identify options for improving programs and services for our aging War Veterans.

The Veterans Review and Appeal Board serves the same group of clients as VAC, specifically those who have been denied entitlement for a claimed disability or who are dissatisfied with their assessment. The following, based on 5,569 reviews and 1,216 appeals decisions finalized as of March 31, 2007, is a breakdown of the people served in 2006-07 by the Board:



The Veterans Review and Appeal Board continued to strengthen its capacity to provide independent reviews of disability and War Veterans Allowance decisions. The Board invested significant efforts in planning and training to equip its staff and members to deal with numerous challenges, including the increasing complexity of medical conditions; the implementation of the New

Veterans Charter legislation; and the implementation of the 2006 edition of the *Table of Disabilities*. The Board continued to bring about innovative and positive changes to its operations to ensure each applicant had a full and fair hearing and received a well-reasoned and timely decision. These efforts sustained the redress program which is responsive to emerging issues and effective in carrying out its mandate.

For generations, the torch of remembrance has been a powerful force, unifying Canadians of all ages, from all walks of life, in communities from sea to sea to sea. Today, demographics and world events have breathed new urgency into efforts to increase Canadians' understanding of and appreciation of the achievements and sacrifices of all who served Canada in times of war, conflict and peace. Time is of the essence. War-service Veterans are in the twilight of their lives. Each day, their ranks diminish, leaving Canadians to mourn the loss of a treasured link to the past. At the same time, the increased tempo of CF operations throughout the world, particularly in Afghanistan, is a sombre reminder that freedom comes at a cost. The responsibility falls to VAC to identify new commemorative opportunities, explore new partnerships and harness new technologies designed to help Canadians connect with their past and move confidently towards the future.

Strategic Direction

Veterans Affairs Canada strategic direction in 2006-07 focussed primarily on two areas under the over-arching goal of improving program and service delivery.

The Department focussed on providing the best service possible to its clients by modernizing and enhancing programs and services. For example, VAC implemented the New Veterans Charter in 2006-07. In addition, the *Veterans Bill of Rights* and the Ombudsman office were created on April 3, 2007, marking a milestone in the Government of Canada's continuing commitments to meet the needs of Canada's Veterans. The *Veterans Bill of Rights* is an expression of the rights Veterans have long identified as important. This comprehensive declaration of rights was developed in consultation with Veterans' organizations to strengthen our ability to respond quickly and fairly to the concerns of Veterans.

The Department strove to ensure that the torch of remembrance remained strong by encouraging Canadians, especially youth, to actively participate in remembrance activities. An example is the 90th anniversary of Vimy Ridge which included the participation of 5,000 Canadian youth.

The Veterans Review and Appeal Board's strategic focus was to improve program and service delivery and to provide a fair and independent redress process that ensures all appellants receive the benefits to which they are entitled under the law.

Government of Canada / Gouvernement du Canada

Veterans BILL OF RIGHTS

The Veterans Bill of Rights applies to all clients of Veterans Affairs. They include:

- Veterans with war service
- Veterans and serving members of the Canadian Forces (Regular and Reserve)
- Members and former members of the Royal Canadian Mounted Police
- Spouses, common-law partners, survivors and primary caregivers
- Other eligible dependants and family members
- Other eligible clients

YOU HAVE THE RIGHT TO:

- Be treated with respect, dignity, fairness and courtesy
- Take part in discussions that involve you and your family
- Have someone with you for support when you deal with Veterans Affairs
- Receive clear, easy-to-understand information about our programs and services, in English or French, as set out in the Official Languages Act
- Have your privacy protected as set out in the Privacy Act
- Receive benefits and services as set out in our published service standards and to know your appeal rights

YOU HAVE THE RIGHT TO MAKE A COMPLAINT AND HAVE THE MATTER LOOKED INTO IF YOU FEEL THAT ANY OF YOUR RIGHTS HAVE NOT BEEN UPHELD.

The Right Honourable Stephen Harper, P.C., M.P.
Prime Minister of Canada

DÉCLARATION DES DROITS DES *anciens combattants*

La présente Déclaration s'applique à tous les clients d'Anciens Combattants, soit :

- les anciens combattants ayant servi en temps de guerre;
- les militaires et les militaires des Forces canadiennes (force régulière et réserve);
- les membres actifs et à la retraite de la Gendarmerie royale du Canada;
- les conjoints et les partenaires en union de fait, les survivants et les principaux dispensateurs de soins;
- les autres personnes à charge et les membres de la famille admissibles;
- les autres clients admissibles.

VOUS AVEZ LE DROIT :

- d'être traité avec respect, dignité, équité et courtoisie;
- de prendre part aux discussions vous concernant;
- d'être accompagné lors de vos rencontres avec Anciens Combattants;
- d'obtenir de l'information claire sur nos services, en français ou en anglais, conformément à la Loi sur les langues officielles;
- de savoir que votre vie privée sera protégée conformément à la Loi sur la protection des renseignements personnels;
- de recevoir des avantages et des services conformément à nos normes de service et d'être informé de vos droits d'appel.

SI VOUS CROYEZ QUE L'UN DE CES DROITS N'A PAS ÉTÉ RESPECTÉ, VOUS AVEZ LE DROIT DE FAIRE UNE PLAINTE ET D'EXIGER QU'ON EN FASSE L'EXAMEN.

The Honourable
Greg Thompson, P.C., M.P.

Canada

Priorities - Veterans Affairs Canada

Enhancing and adapting programs and services to meet the needs of our Veterans, serving members, other clients and their families

The New Veterans Charter (NVC), which came into effect on April 1, 2006, represents the most comprehensive change to Veterans programs and services since the Second World War. The new suite of programs represents the support that CF Veterans and their families told us they need to ease their transition to civilian life. The New Veterans Charter replaces monthly disability pensions with a comprehensive package of wellness programs and a lump-sum disability award. The suite of programs includes Rehabilitation, Financial Benefits, Health Care, Disability, Death and Detention Benefits, and Job Placement programs - all supported by comprehensive case management. VAC's existing suite of programs and services for war service Veterans and RCMP clients are not affected by these changes. Pensions and related benefits for CF members and Veterans which were in effect as of April 1, 2006, are also not affected by this new suite of programs and service.

The new programs and services were developed following the most extensive research and consultations ever conducted by the Department. These consultations included Veterans' organizations, subject area experts, other government departments and CF members. The Department also created an Ad Hoc Advisory Group on Special Needs to ensure the issues and concerns of seriously disabled Veteran clients – with either physical or psychological injuries – and their families, are represented.

The new programs are supported by enhanced case management. VAC Area Counsellors, supported by an interdisciplinary team, assess needs and develop and monitor case plans. This approach supports clients' transition and provides a better quality of life for clients and their families. Each releasing member is offered a transition interview. Interviews are completed to identify clients' needs, and to maximize choices and their opportunities to access Departmental and community resources. To be able to provide comprehensive and consistent service delivery, each Client Service Team must meet a national certification standard. Currently, 20 Client Service Teams in 10 District Offices have undergone a certification review.

After its first year, the New Veterans Charter is successfully meeting its goal of assisting CF members to successfully transition to civilian life. In 2006-07, more than 2,500 CF members, Veterans and their families received assistance; 1,100 received rehabilitation services; 900 Earnings Loss applications were approved (representing $3.5 million for CF members and families as they move toward recovery); and 2,300 Veterans received a Disability Award at a cost of more than $50 million. Disability awards recognize and compensate for the non-economic effects of a service-related disability, including pain and suffering. The award is a monetary, tax-free, lump-sum payment, the amount of which is based on the extent of the disability. Unlike with the Disability

Pension Program, clients under the New Veterans Charter do not have to be receiving a disability award to access other programs and services.

To ensure the New Veterans Charter programs are achieving intended results for our CF Veterans and families, VAC has created a comprehensive quality management program. An outcomes measurement strategy has been developed to measure client outcomes in five domains: health (physical and mental); economic support; employment; community integration; and recognition. Clients who enter the Rehabilitation Program will be surveyed in three phases: (1) upon admission; (2) upon completion; and (3) two years following completion of the program.

In Budget 2007, the Government of Canada demonstrated its ongoing commitment to Canada's Veterans by providing additional funding to strengthen services and improve processing times for both pensions and health treatment.

Royal Canadian Mounted Police Clients

In a similar vein, we are working with the Royal Canadian Mounted Police to support a modernized approach to disability management for their still-serving and former members. During the past year, VAC introduced a pilot initiative in the province of Saskatchewan where all discharging members of the RCMP were offered a transition interview with a VAC Area Counsellor to identify needs and provide information. The pilot is expected to be evaluated in the coming months and VAC and the RCMP will determine if this service will be provided in other areas of the country.

In 2006-07, VAC provided programs and services to 6,000 Royal Canadian Mounted Police clients. Under a new Project Charter, the Department and the RCMP will explore how to improve the benefits and services available to former members and still serving members of the RCMP.

War Service Clients

While the New Veterans Charter is helping to better address the needs of modern-day Veterans, VAC is continually working to improve service to Canada's traditional war service Veterans. With an average age of 85, these aging clients require increased support to maintain their independence and to give them a choice in the care setting that best meets their needs. VAC experience has shown that when given a choice, Veterans prefer to remain at home rather than move to a long-term care facility. Spouses and primary caregivers play a significant role in Veterans' ability to do so and are demanding more equitable access to the Veterans Independence Program services of housekeeping and grounds maintenance.

VAC is undertaking a comprehensive Health Services Review. The goals of this review are to move from an entitlement to a needs-based approach while reducing the complex eligibility requirements. An ongoing dialogue continues with Veterans' organizations, Departmental officials and gerontological experts. The Gerontological Advisory Council (established in 1997 to advise VAC on how to address the changing needs of Canada's Veterans) released its report

Keeping the Promise: The Future of Health Benefits for Canada's War Service Veterans in November 2006, which will help guide the work of the review.

The Health Services Review will focus on VAC's three major health care programs: the Veterans Independence Program (VIP), Long-Term Care and Health Treatment Benefits.

Veterans Independence Program

The Veterans Independence Program, called Canada's first national homecare program, helps clients maintain their independence through the provision of home and community care. With an annual budget of $270 million, VIP includes services such as housekeeping and grounds maintenance, ambulatory health care, transportation, home adaptations, and intermediate nursing home care. 101,267 Canadian Veterans and primary caregivers were receiving services under VIP as of March 31, 2007.

In support of the Health Services Review, VAC is working with the Government of Ontario to analyse what mix of home care services, including VIP, best support Veterans' independence. The Continuing Care Research Project includes two companion studies. The first study, taking place in Victoria, Ottawa and Halifax, is an evaluation of a Veterans Affairs Canada pilot intervention offering specialized home care services to Veterans on institutional care waiting lists. The second and larger study is a cost and outcomes study in the Toronto-area. That study compares VAC clients in community home care, supportive housing and institutional care environments. The final report on the project is scheduled to be released in the upcoming year.

Long-term Care

At an annual cost of $340 million, VAC supports approximately 10,000 Veterans in long-term care beds, either in a network of community facilities across the country or in larger contract facilities where we have priority access beds for Veterans. This includes Ste. Anne's Hospital, the last remaining federal hospital administered by the Department. Client satisfaction with care in these facilities is high - more than 90 percent.

In 2006-07, work continued on the modernization of Ste. Anne's Hospital in Montréal, Quebec. The renovations will provide a safer and more secure living environment to meet specific client needs. The renovations, which will be complete by 2009, include constructing a new pavilion; renovating the main building (the tower); and building a thermal power plant and an electrical sub-station (which are now fully operational). When complete, the Hospital will have capacity for 446 beds.

Treatment Benefits

In 2006-07, approximately 111,600 clients benefited from VAC treatment benefits, at a cost of $266.1 million. Treatment Benefits consist of medical and dental care, surgical or prosthetic aids, prescription drugs and home adaptations; cost of travel to receive these benefits; and treatment allowances paid during periods of acute treatment of a pensioned condition. VAC also

covers the health treatment costs of disabled or low income Veterans to ensure they have access to a high quality of care.

The Pharmacy Program is a very important one for Veterans. VAC's pharmacy program strives to help keep VAC clients healthy and independent in their communities. The Department has developed four performance indicators to measure cost effectiveness in pharmacy program management. They include cost savings from the use of generic drugs; average pharmacy professional fee within a service category; unit cost of benefit; and claims processing cost per prescription filled. The first of these indicators (cost savings from the use of generic drugs) is functional. Work continues on implementing the remaining three.

Disability Pensions

VAC continues to provide disability pensions and special awards for disabled Veterans of the First and Second World Wars; the Korean War; any Veteran with service prior to April 1, 1947; and former and serving members of the RCMP. These pensions compensate for disabilities or death related to military or RCMP service. A total of 181,012 clients were in receipt of a disability pension or special award as of March 31, 2007, at a cost of $1.8 billion.

Implementing a Mental Health Strategy to enhance capacity to meet the mental health needs of clients

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Due to the increased operational tempo, psychological and psychiatric-related conditions are on the rise among Veterans, still-serving CF members and RCMP. The increase is particularly noticeable among VAC clients suffering from Post-Traumatic Stress Disorder (PTSD). Over the past five years the number of clients with a PTSD-condition has more than tripled, increasing to 6,504. As of March 31, 2007, a total of 10,525 clients are in receipt of a pension for a psychiatric condition. Our younger clients with service in Regular Force, Special Duty Area or RCMP represent 69 per cent of those pensioned for a psychiatric condition. Our traditional war service Veterans make up the remaining 31 per cent.

To help meet the treatment needs of these clients, VAC has developed a Mental Health Strategy which complements the New Veterans Charter. One of the unique features of the New Veterans Charter is that it separates injury from receipt of benefits and transition support. In this way, VAC can intervene early with releasing members, and help identify and address outstanding mental health needs.

As part of this strategy, VAC continues to increase its mental health service presence in the community. VAC sponsors a network of OSI clinics and participates in the Operational Stress Injury (OSI) Joint Network with DND and the RCMP. These clinics diagnose and treat operational stress injuries among Veterans. A total of five out-patient OSI clinics have been established across the country. These clinics complement DND's five Operational Trauma and

Stress Support Centres. Each clinic provides access to a team of mental health professionals including psychiatrists, psychologists, nurses and clinical social workers. These professionals are specially trained in treating PTSD and other psychological injuries resulting from military service. These teams have access to standardized assessment and treatment protocols developed by the National Centre for Operational Stress Injuries (NCOSI) at Ste. Anne's Hospital. This Centre of Expertise sees field specialists develop and promote best practices through training, continuous education, research and partnerships, as well as expert advice for complex case management and policy development.

In Budget 2007, the Government of Canada provided funding for five new OSI clinics. They will be located across the country to assist CF members and Veterans dealing with operational stress injuries related to their military service. The additional funding will provide $9 million per year to establish the new clinics to ensure that Canadian Forces members, Veterans and their families receive critically timed interventions, social support and counselling services when they face difficult adjustments due to military service.

An additional $1 million per year was provided to support families of CF members through an innovative social support network jointly supported by DND and VAC. The Operational Stress Injury Social Support (OSISS) is a very successful DND-VAC partnership. It was established in 2001 to provide one-on-one and group peer support, education and guidance to CF members, Veterans and their families affected by operational stress injuries. The peers, who suffer from operational stress injuries themselves, are selected and trained by DND medical advisors and specialists at Ste. Anne's Hospital. The peers are co-located for the most part in VAC offices. They provide social support to fellow service personnel also suffering from adverse mental health conditions. We have been informed, anecdotally, that their interventions have averted numerous personal tragedies. Their work is helping change attitudes about combat and stigma associated with operational stress in the military, and prove that recovery is possible for CF members and Veterans living with operational stress injuries. Currently, there are 17 Peer Support Coordinators (PSCs) and six Family Peer Support Coordinators (FPSCs) across Canada. OSISS services have been provided to more than 2,500 CF members, Veterans and families. The requirement for this service continues to grow.

In the fall of 2006, Bereavement Peer Support was added to the OSISS program. To date, 55 families who have lost a loved one due to military service have been helped. Additional funding in Budget 2007 will add eight new family peer support coordinators.

VAC is actively recruiting registered mental health professionals across the country to provide care, support and professional counselling services for eligible clients and families in their local community. During the year, work continued with DND and the RCMP to further build capacity.

Strengthening the Role of Veterans Affairs Canada as a Leader

VAC has also contributed both nationally and internationally to the advancement of work in the field of mental health by organizing and participating in conferences and symposiums. The events, which brought

together experts to explore trends in the field, included the International Society for Traumatic Stress Studies conference in California in November 2006, and the 2nd National Operational Stress Injuries Symposium in Montréal from May 7 to 9, 2007.

Engaging Canadians in community-based Remembrance activities with an emphasis on Canada's youth

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A nation's collective memory is the cornerstone upon which a strong, secure and free society is built. Recognizing this, Veterans Affairs Canada has long been committed to keeping alive the achievements and sacrifices of all those, past and present, who have put themselves in harm's way to defend Canada's freedom and values.

Canadians embrace and support these efforts. In 2005, Canada's celebration of *Year of the Veteran* sparked a national rejuvenation in remembrance. The legacy of that year continues. Departmental research conducted in 2006 confirms that the appetite for remembrance remains strong:

- More than seven out of 10 Canadians feel it is important to mark Veterans' Week each year.
- More than one in three Canadians actively participate in Veterans' Week activities.
- The remembrance sections of VAC's Web site attracted almost 1.7 million visits in 2006, a 90 per cent increase from the previous year.

In 2006-07, Veterans Affairs Canada took decisive steps to build on this momentum. The Department's new community-based initiatives, new partnerships and new technologies provide sound and sustainable leadership for the Government of Canada's Remembrance Policy. Many noteworthy results were achieved:

- Canada's remembrance programming gained greater international stature and visibility.
- A new operations division in Europe expanded the overseas "face" and "reach" of Canadian remembrance.
- Strategies to "modernize" remembrance programming provided targeted outreach to more than a million young Canadians along with the opportunity to better connect with hundreds of thousands of younger Canadian Forces Veterans and still-serving members.
- Innovative community engagement initiatives, often through partnerships, were a catalyst for building local pride and an awareness of remembrance in every corner of every region of Canada.

International Acclaim

On April 9, 2007, after many months of intense planning, Canadians of all ages, and all walks of life, joined together to celebrate the 90th anniversary of

the Battle of Vimy Ridge. The battle is considered by many to have been a key turning point in shaping Canada as a nation.

The Government of Canada's signature ceremony took place in France. Tens of thousands of people, including 5,000 Canadian youth and 400 Canadian Forces members, joined world leaders to pay homage to the brave Canadians who captured Vimy Ridge 90 years ago in a fight for peace, freedom and hope.

As part of this international tribute, Her Majesty Queen Elizabeth II dedicated the newly restored Canadian National Vimy Memorial. The memorial that so proudly stands as a reminder of the sacrifices and achievements made during the Battle of Vimy Ridge, is, itself, a national treasure. Its restoration was part of a $30 million project announced in 2001 by the Government of Canada to repair the damage that age and Mother Nature had done to the 13 memorials that commemorate Canada's involvement in the First World War. The restoration of the Vimy Memorial was completed on time and within budget under the careful direction of Veterans Affairs Canada, Public Works and Government Services Canada, and a team of international experts. The restoration of one of Canada's finest works of art is both a technical and conservation triumph. Newly restored, its dignified presence will continue to offer visitors a safe and peaceful haven to reflect on those who served and died protecting Canada's values.

European Operations Division

For almost a century, the bravery and daring of Canada's military has had a profound influence on the struggle for freedom and peace in Europe. The new European Operations Division, which was established in 2006-07, promises to give Canada a highly visible and well-respected presence in an area of the world where commemoration is actively embraced. Under its direction, the sacrifices and achievements of Canadians will be advanced through commemorative projects, diplomatic partnerships, the stewardship of the grave sites of Canada's War Dead, and the preservation of Canada's European Battlefield Memorials. Collectively, these memorials attract more than a million visitors each year. Departmental experts maintain a permanent presence at both the Canadian National Vimy Memorial site and the Beaumont-Hamel Newfoundland Memorial site. Each summer, the Department also manages a Student Guide Program in France that provides young Canadians with the opportunity of a lifetime to teach people from around the world about Canadian history.

Remembrance through Partnerships

Partnerships at the international, national and community levels are critical to the reach of remembrance. In 2006-07, partnerships with the private sector, Veterans' organizations, non-profit organizations, and all levels of government, breathed new vitality into the world of remembrance.

In February 2007, the Government of Canada committed $5 million over the next decade to help support the Juno Beach Centre in Normandy, France. The Centre, opened in 2003, represents the hopes and dreams of a dedicated group of Second World Veterans who worked tirelessly to pay tribute to the

contributions Canadians made in liberating Europe. Through this funding, Canada will help to support the Centre's operating costs, including the delivery of information and educational initiatives that will benefit visitors from around the world.

Through the VAC *Partnerships Contribution Program*, non-profit groups across Canada can receive financial support for community-based remembrance projects or projects to help restore local cenotaphs and monuments. The first arm of the Contribution Program is the Community Engagement Partnership Fund. This year, under that Fund, VAC contributed $1.5 million to help support 112 national, regional and local initiatives. As a result, tens of thousands of Canadians were engaged in remembrance projects. In Calgary, alone, through a partnership with the Calgary Military Museum of Remembrance Education Program, more than 60,000 students learned how ordinary people served their country with extraordinary heroism. Specific in-Canada initiatives were also funded to reach out to Canadian Forces Veterans and the Aboriginal community.

The second arm of the Contribution Program, announced in 2005, is the Cenotaph/Monument Restoration Program. In 2006-07, the Program's first full year of operation, 49 communities, representing all regions of Canada, were provided with funding to help preserve and restore their local cenotaphs and monuments. The investment in Canada's most treasured infrastructure totalled just over $530,000. Through the program, physical structures were repaired, inscriptions were restored, walkways were made safe, and landscaping was rejuvenated, so that local citizens could once again take pride in their places of remembrance.

Ongoing partnerships with a family of federal entities, including the Department of National Defence, the Royal Canadian Mounted Police, Public Works and Government Services Canada, the Parliament of Canada, Library and Archives Canada and Heritage Canada, means that those who are listed in the seven Books of Remembrance will forever be remembered and cherished by their families, their comrades and the millions of people who study Canadian history.

In the Nation's Capital, Ottawa's Winter Carnival, the National War Memorial, and a Veterans' Week Candlelight ceremony drew thousands of participants.

Across the country, in rural and urban centres in every region, partnerships were made with local authorities, schools, non-profit groups and volunteer organizations. As a result, hundreds of meaningful in-Canada events bridged time and geography to link the heroes of yesterday with those of today and tomorrow. During Veterans' Week alone, a record 239 community events were posted to the Department's online Calendar of Events.

In 2006-07, seventy very special Canadians were awarded the Minister of Veterans Affairs Commendation to recognize their outstanding contribution to the care and well-being of Veterans and/or their efforts to commemorate Veterans.

21st Century Learning

Veterans' Week, held each year from November 5 to 11, is traditionally the time that Canadians unite to say "thank you" to our Veterans. But on any given day, somewhere in Canada, someone is likely to be engaged in remembrance.

In 2006-07, the Department looked at remembrance with fresh eyes, seeking ways to engage youth on an ongoing basis, using a modernized approach that would challenge their minds and touch their hearts. As a result, more than one million Canadian youth learned about remembrance thanks to a myriad of partnerships with our nation's educators, youth organizations, Veterans' organizations and community leaders.

New and innovative learning materials were made available during Veterans' Week 2006 to more than 16,000 schools across Canada. *Tales of Animals in War*, a suite of programs that included a tabloid newsletter telling stories from the "Pause for Remembrance" clubhouse, captivated Canada's youngest students. A newspaper called the *Canada Remembers Times* offered senior students a glimpse of what it may have been like to walk in the footsteps of those who served Canada on land, on sea and in the air at various points in history. Students and educators responded eagerly, triggering a corresponding increase in classroom mail orders and Web visits over the previous year.

A unique Canadian presence on the Internet further helped to erase the geographic boundaries of learning. Web partnerships with a host of organizations, including the Canadian Broadcasting Corporation and the National Film Board, made it possible to celebrate and explore Canada's rich cultural and linguistic heritage with virtual tools such as the Vimy Photo Galleries and the Chinese Canadian section of the Heroes Remember Web site. Additional Web features underway and soon to be published include La Force Francophone and the First World War Audio Archives. These initiatives will join the very popular Heroes Remember Web site, where one can watch, listen to and read the personal memories of Canada's service men and women.

The Department worked closely with the Historica-Encounters with Canada Foundation whose mission is to introduce all Canadians to the fascinating stories that contribute to our unique country. As part of this partnership, a national Remembrance Youth Summit was held in May 2006. It resulted in a White Paper that may help to pioneer initiatives to encourage youth to carry the torch of remembrance for future generations.

A national partnership with The Royal Canadian Legion and Scouts Canada resulted in the "Remembrance Trails" project. The development of interpretative trails at six different Scout camps across Canada gives thousands of youth and volunteers the opportunity to learn about events that helped to shape Canada as a nation.

Learning by "doing and seeing" became a reality for 42 young Canadians representing Aboriginal youth, young Canadians involved in Scouts Canada, Historica-Encounters with Canada Foundation and the War Amputations of Canada's "Operation Legacy" program. These young Canadians took part in

the official Government of Canada overseas event to France to mark the 90th anniversary of the Battles of the Somme and Beaumont-Hamel.

There was tangible success through initiatives to modernize its remembrance programming so that more Canadians could better appreciate the sacrifices and achievements of Canada's CF community. CF Veterans and still-serving members, some not much older than the students who applauded them, took their rightful place beside aging Veterans at ceremonies and events across Canada and around the world. Learning tools, featuring 50 years of peacekeeping efforts, also proved popular. This year, 15 CF Veterans were awarded the Minister of Veterans Affairs Commendation. In the process, many of Canada's younger military members gained a deeper appreciation for their place in the history of remembrance.

Monuments, Memorials and Veterans Graves

In 2006-07, VAC provided $11 million in financial support to ensure that 2,178 qualified Veterans were laid to rest in a dignified manner. The funding is part of a national funeral, burial and grave marker program that is carried out in partnership with the Last Post Fund. Most of the departed Veterans who qualified for this program had insufficient funds in their estate to pay for a proper funeral. For their grieving families, this program, delivered on behalf of a grateful nation, provided much-needed comfort and dignity.

In the same manner, monuments and memorials are silent but powerful reminders of what our Veterans accomplished and sacrificed for us all. To maintain the faith our Veterans placed in our future, we must maintain monuments to their memory and care for them with the dignity and grace they deserve.

At home, and around the world, the Department also continued to work with one of its oldest partners - the Commonwealth War Graves Commission - to maintain the graves of the approximately 112,000 Canadian War Dead who have been laid to rest in more than 80 countries. In Canada, another 350,000 grave sites in some 15,000 cemeteries from coast to coast, were maintained.

In addition to its traditional work, the Commission, in partnership with VAC, has completed "mapping" the grave markers of about one-third of the Veteran grave markers in Canada for which the federal government is responsible. When completed in 2010, this national data base will make it easier to monitor and maintain the markers. It will also help relatives and friends locate the final resting place of Veterans who, because of distance or the passage of time, may be unknown to them.

Priorities - Veterans Review and Appeal Board

The Veterans Review and Appeal Board, through its legislated mandate, provides two levels of appeal of disability pension or disability award decisions and the final level of appeal of War Veterans Allowance decisions.

The Board's primary goal is to deliver an effective redress program through strategic and innovative improvement initiatives. Applicants have voiced their concerns regarding the length of the appeal process, and the Board made tremendous progress in addressing the time lines within its control. To address the volume and age of pending claims, the Board increased the hearing schedule by offering alternative methods for hearings. More than 7,100 applicants had the opportunity to have their claims heard and present their evidence, exceeding the forecast of 6,500 hearings.

In addition, the length of time to finalize the decision following the hearing was reduced for applicants, and the Board successfully decreased the number of claims pending a hearing. The Board continues to work with representatives to fill the capacity available in the hearing schedule, and to encourage them to bring forward their oldest claims and remove abandoned claims. Collectively, these measures will continue to provide improved service to applicants.

The Strategic Plan 2006-2009 describes the Board's priorities in improved program delivery and engaged communication with appellants and stakeholders.

Improved program delivery

The Board was proactive in identifying ways to strengthen its operations to support decision-making and contribute to delivering timely and fair decisions.

In the claim appraisal and management initiative, resources were allocated to pilot enhancements in the pre-hearing documentation. Changes to the registration of appeal hearing claims have been effective in ensuring that cases registered with the Board proceed to a hearing, and in reducing the time frame to finalize decisions. Similar innovations will be considered for the review hearing claims.

Following the Government of Canada's announcement to establish a Veterans Bill of Rights and a Veterans Ombudsman, the Board assessed its requirements for resources and processes to respond to specific requests and recommendations. Individuals have always had the opportunity to raise issues if they are dissatisfied with the respect, courtesy and professionalism of Members or staff. All concerns are taken very seriously and are properly investigated in a timely manner. To formalize this process, the Board developed complaints procedures and a complaint form which are available at **www.vrab-tacra.gc.ca**. They may also be requested by calling the toll-free inquiries line at 1-800-450-8006.

Six complaints were received prior to September 29, 2006, the date the formal complaints procedures were initiated, and 10 complaints were received under the new process. All issues raised, which varied from wording of the decision to a Member's conduct, have been addressed. This complaint process was not intended to address dissatisfaction with Board decisions. Individuals who are dissatisfied with the outcome of Board decisions should contact their representatives to pursue their appeal rights.

Research was expanded in the area of emerging legal precedents and issues including the New Veterans Charter and the 2006 Table of Disabilities. The Board issued rules of practice regarding exhibits and attachments, reconsideration applications and teleconference review hearings. The Board also communicated its position on transitional issues created when the 1995 Table of Disabilities was replaced by the 2006 Table of Disabilities. Rulings of the Federal Court were analysed to ensure that the guidance given is reflected in the Board's decisions, policies and operations.

A revised professional development framework for new Members was implemented with an intensified training period, scheduled follow-up sessions and mentoring. During the year, 12 Members were appointed to the Board through the competency-based Member Selection Process which was implemented in December 2004. Members received training on the provisions of the New Veterans Charter and new regulations, and attended specialized sessions in post traumatic stress disorder at Ste. Anne's Hospital. Further training and tools are being developed to support quality, consistency and efficiency in decision-making. These initiatives support the Board's commitment to render quality decisions that are based on the facts of the claim, the available evidence, and the applicable legislation.

The Board benefited from its involvement in the introduction of the New Veterans Charter legislation. Working with VAC in the implementation stage was an effective way to approach the transition, and allowed for assessment of impacts, timely training and a smooth transition for the Board.

Approximately 8,950 applications for hearings were received, an increase in comparison to the previous two years. The Board prepared 8,619 pre-hearing documents; however, 1,805 cases were subsequently withdrawn or abandoned by the applicants. More than 240 applicants requested an appeal of a disability award decision under the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*, which came into force on April 1, 2006. The following chart describes the 7,132 decisions finalized by the Board. It represents the highest volume in recent years.

Finalized Decisions	2004-05	2005-06	2006-07
Reviews	4,911	4,870	5,743
Appeals	1,756	1,532	1,271
Reconsiderations	194	222	107
War Veterans Allowance	23	21	11
Total	6,884	6,645	7,132

From registration with the Board to finalization of the claim in the Board, the average time for review hearing claims was 203 days, and the average time for appeal hearing claims was 165 days. This includes the time period (which is the shared responsibility of the Board and the appellants' representative) when the claim is waiting to be scheduled. It depends upon appellant readiness and hearing schedule availability.

The Board worked with the Bureau of Pensions Advocates and the Royal Canadian Legion to remove inactive claims, to improve management of claims and to reduce waiting times for applicants. A longstanding issue has been the preparation of pre-hearing documents for claims that are subsequently withdrawn or abandoned. VRAB has collaborated with representatives to identify ways to decrease overproduction. As a result, overproduction has been reduced from 40 per cent to 15 per cent this year. Progress was also made in the registration of claims (which has indicated high pending volumes attributed to the Board). However, a large number of these claims are with the representatives for counselling, and as many as 40 per cent are withdrawn and do not proceed to a hearing. The change in the registration of claims is significant in accurately forecasting and reporting on the Board's workload. At year end, the Board had 3,361 claims pending at the pre-hearing stage - a manageable workload that can be dealt with expeditiously.

On average, 60.7 per cent of the finalized review decisions and 37.5 per cent of the finalized appeal decisions varied a previous ruling. The two factors weighing most heavily in varying a prior decision at the review hearing are the applicant's testimony and additional evidence or information that was not available at the previous level. At the appeal hearing, the applicant may submit documented evidence and written information. 90 per cent of review decisions were finalized in an average of 29.2 days and 90 per cent of appeal decisions were finalized in an average of 24.1 days. This substantially met the public commitment to render a decision 30 calendar days following the date of the hearing.

When all Board redress avenues have been exhausted, applicants may apply to the Federal Court for a Judicial Review. In 2006-07, 11 appellants filed an application with the Federal Court (less than 0.2 per cent of the Board's 7,132 decisions). Of the 14 rulings handed down by the Federal Court this year, seven applications were allowed and returned to the Board for rehearing and seven applications were dismissed. One decision was returned pursuant to a Federal Court Consent Order.

The Board has dedicated Members and staff that provide outstanding service. All efforts are focussed on improving the performance and processes of the Board, helping to strengthen this valuable redress program for Canadians.

Engaged communication with appellants and stakeholders

Individuals have a variety of avenues to contact the Board including telephone, e-mail, fax and traditional mail. More than 7,000 inquiries received a timely

response in 2006-07. The Board responded to the information needs of Canadians through regular updates on its Web site. During the year, the Board increased communication with representatives and Parliamentarians regarding its mandate, workload and performance.

In 2006 the Board also released the results of a survey conducted by Environics Research Group in July 2005. A questionnaire was mailed to 1,541 Veterans, members of the Canadian Forces, the RCMP, and spouses or survivors who had a hearing and received a recent decision from the Board. The response rate was 65 per cent. While the majority of applicants indicated they had a positive experience with the appeal process, they also provided suggestions for improving the program. These recommendations were considered and incorporated in the Board's Strategic Action Plan. The complete report of the National Applicant Satisfaction Survey 2005, which contains a detailed description of the methodology and results, is available at **www.vrab-tacra.gc.ca**.

The Board did not achieve its commitment to develop a communications plan and publish a brochure in 2006-07 due to a lack of available resources. Further plans for information products and outreach were also delayed due to competing priorities. However, the plan and brochure are priorities in 2007-08 as these will guide the Board in its efforts to provide Canadians with clear and concise information on the Board and its area of responsibility within the disability pension and award program.

Link to the Government of Canada Outcome Areas

The Portfolio is contributing to the Government of Canada's economic and social outcomes through the delivery of benefits and services that contribute to the independence, quality of life, social citizenship, and standard of living of Canada's Veterans, CF members, qualified civilians and their families in recognition of their service to the nation.

Sustaining Canada's economy is an essential part of improving the well-being and quality of life for Canadians. VAC's Strategic Outcome "Eligible Veterans and other clients achieve their optimum level of well-being through programs and services that support their care, treatment, independence, and re-establishment" contributes to the Government of Canada's outcome "Income Security and Employment for Canadians". VAC is committed to providing exemplary, client-centred services and benefits that respond to the needs of its clients through the strategic priorities of: Enhancing and adapting programs and services to meet the needs of our Veterans, serving members, other clients and their families; and Implementing a Mental Health Strategy to enhance capacity to meet the mental health needs of clients.

The Government of Canada's outcome "Healthy Canadians" is strongly supported by VAC's Strategic Outcome "Eligible Veterans and other clients achieve their optimum level of well-being through programs and services that support their care, treatment, independence, and re-establishment". VAC's commitment to its clients' health and wellness is actioned through the strategic priorities of: Enhancing and adapting programs and services to meet the needs of our Veterans, serving members, other clients and their families; and

Implementing a Mental Health Strategy to enhance capacity to meet the mental health needs of clients.

VAC's Strategic Outcome "Canadians remember and demonstrate their recognition of all those who served in Canada's efforts during war, military conflict and peace" supports the Government of Canada's outcome "A Vibrant Canadian Culture and Heritage". VAC's commitment is actioned through the strategic priority of Engaging Canadians in community-based remembrance activities with an emphasis on Canada's youth.

The Veterans Review and Appeal Board Strategic Outcome of "Fair and effective resolution of disability pension, disability award, and War Veterans Allowance appeals from Canada's war Veterans, eligible CF Veterans and members, RCMP clients, qualified civilians and their families" contributes to the Government of Canada outcome "Income Security and Employment for Canadians" by providing fairness in the adjudication of decisions for disability pensions, disability awards, and War Veterans Allowances.

SECTION II - ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

Veterans Affairs' Program Activity Architecture (PAA) was modified in June 2006 to incorporate the New Veterans Charter's programs and services implemented on April 1, 2006. Modifications include the descriptions of our strategic outcomes and the titles and descriptions for the related program activities.

Strategic Outcome #1:

Eligible Veterans and other clients achieve their optimum level of well-being through programs and services that support their care, treatment, independence, and re-establishment.

Program Activity #1.1:

Pensions, Awards, Allowances for Disability and Death; and Financial Support.

Veterans Affairs Canada provides, upon eligibility, pensions or awards for disability or death and financial support as compensation for hardships arising from disabilities and lost economic opportunities. Veterans Affairs Canada has a comprehensive and integrated range of compensation and wellness programs to support its clients. These clients include: Veterans of the First World War, the Second World War, Veterans of the Korean War, Merchant Navy Veterans, Canadian Forces members, spouses, common-law partners, certain civilians, and survivors and dependants of military and civilian personnel. Veterans Affairs also administers disability pensions for the RCMP under a Memorandum of Understanding.

VAC's mission is to provide exemplary, client-centred services and benefits that respond to the needs of our clients, in recognition of their services to Canada. The expected result which would link this program activity to the corresponding strategic outcome is:

- Eligible Veterans and others are appropriately compensated to contribute to their well-being.

The Department's performance measurement strategy for monitoring the program activity's related benefits and services includes an annual review to equate the performance indicators:

- Percentage of decisions that comply with the Department's standards and business processes.

93 per cent of first applications for disability were completed within the service standard time of 24 weeks for 2006-07. Service standards for the NVC programs have not been published and therefore cannot yet be measured and

reported. It is anticipated that a revised service standards brochure will be published in 2008.

- Number and duration of Veterans in receipt of Temporary Earnings Loss, Extended Earnings Loss and Canadian Forces Income Support

For 2006-07, we had 857 clients in the Temporary Earnings Loss program and 62 clients in the Extended Earnings Loss program. We did not have any clients in the Canadian Forces Income Support, Permanent Impairment Allowance or Supplementary Retirement Benefit programs. Statistical information on program activity (e.g. duration) is being developed and will be reported in future performance reports. Time spent in Earnings Loss programs should mirror the time in Rehabilitation for the most part unless the client reaches age 65 while still in Rehabilitation.

The Department's performance is also measured every two years to validate the performance indicator:

- Percentage of surveyed clients satisfied with the benefits and services which they have received.

The Client Satisfaction Survey reported global survey findings of an overall level of satisfaction of 84 per cent. This included clients both in receipt of benefits and services and those who were declined a benefit or service. Additional information on this survey can be accessed at:
www.vac-acc.gc.ca/general/sub.cfm?source=department/reports

Financial Resources ($ millions):

Planned Spending	Authorities	Actual Spending
2,065.4	2,136.7	1,932.8

Human Resources (Full-Time Equivalents):

Planned	Authorities	Actuals
1,281	1,294	1,270

Program Activity #1.2:

Health Care and Re-establishment Benefits and Services.

Veterans Affairs Canada provides, upon eligibility, health benefits, a Veterans Independence Program, long-term care, and rehabilitation and re-establishment support to eligible Veterans and others. The Health Care Program is designed to enhance the quality of life of VAC clients, promote independence, and assist in keeping clients at home and in their own communities by providing a continuum of care.

The expected result which would link this program activity to the corresponding strategic outcome is:

- Eligible Veterans and others receive the treatment benefits and services to meet their identified needs.

The Department's performance in providing health care and re-establishment benefits and services to clients is measured by the following performance indicators:

- Total Program of Choice expenditures.

Treatment Expenditures for 2006-07 were $266.1 million.

- Total contract services to administer the program expenditures.

For 2006-07, health care processing system contract fees (not including Vocational Rehabilitation and job placement) totalled $24.6 million.

- Level of compliance with Departmental standards and business processes.

The Quality Management Program conducts reviews of Health Care Programs to assess the extent of compliance with Departmental standards and business processes. In addition, regular reviews are conducted on the quality of service delivery to Veteran clients and their families. These reviews provide evidence relating to program delivery compliance and also provide qualitative recommendations for program and service improvement.

For example, a review of compliance with Departmental policy and business processes related to the Veterans Independence Program was conducted in 2006. Results of this review revealed a high level of policy and process compliance. A full 100 per cent of files reviewed were compliant in accordance with client need for VIP services, additionally 96 per cent of the files reviewed were compliant with appropriateness of level of services provided.

- Total Rehabilitation/Vocational expenditure.

Vocational Rehabilitation expenditures for 2006-07 were $226,769.

Financial Resources ($ millions):

Planned Spending	Authorities	Actual Spending
1,062.5	1,077.9	1,021.5

Human Resources (Full-Time Equivalents):

Planned	Authorities	Actuals
2,188	2,203	2,125

Strategic Outcome #2:

Canadians remember and demonstrate their recognition of all those who served in Canada's efforts during war, military conflict and peace.

Program Activity # 2.1:

Remembrance Programming.

Remembrance Programming keeps alive the achievements and sacrifices made by those who served Canada in times of war, military conflict and peace; engages communities in remembrance of these achievements and sacrifices; and, promotes an understanding of their significance in Canadian life as we know it today.

VAC's mission also includes keeping the memory of Canada's Veterans achievements and sacrifices alive for all Canadians. The expected result which would link this program activity to the corresponding strategic outcome is:

- Canadians who commemorate, understand and value the achievements and sacrifices of those who have served Canada in war, military conflict and peace.

The Department's performance measurement strategy used to report on the expected result includes measuring on a regular basis the following performance indicator:

- Percentage of Canadians who are knowledgeable about and engaged in remembrance.

Successful results were achieved and are supported by the Client Satisfaction Survey which indicates that 80 per cent of VAC's clients were satisfied with how VAC delivers its Commemoration activities.

Research conducted for Veterans' Week 2006 shows that 66 per cent of Canadians (compared to 57 per cent in 2002) had heard of Veterans' Week, and that 72 per cent (compared to 68 per cent in 2002) agree that it is important to mark Veterans' Week each year. 35 per cent participated in Veterans' Week activities, up from 31 per cent in 2002.

Other research was conducted for the *Year of the Veteran*. The findings, released in 2006, show that awareness of the *Year of the Veteran* increased throughout 2005 from 19 per cent to 56 per cent. The level of participation in commemorative events and 60th anniversary of the end of the Second World War increased through 2005 from 9 per cent to 17 per cent.

Financial Resources ($ millions):

Planned Spending	Authorities	Actual Spending
62.5	69.7	59.6

Human Resources (Full-Time Equivalents):

Planned	Authorities	Actuals
150	162	160

Strategic Outcome #3:

Fair and effective resolution of disability pension, disability award, and War Veterans Allowance appeals from Canada's war Veterans, eligible Canadian Forces Veterans and members, RCMP clients, qualified civilians and their families.

Program Activity # 3.1:

Veterans Review and Appeal Board redress process for disability pensions and awards.

Provides Canada's war Veterans, eligible Canadian Forces Veterans and members, RCMP clients, qualified civilians and their families with full opportunity to request review and appeal hearings to ensure a fair adjudicative process for disability pension, disability award and War Veterans Allowance claims.

The Board has full jurisdiction to hear, determine and deal with all applications for review and appeal that may be made to the Board under the *Pension Act*, the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*, the *War Veterans Allowance Act* and other Acts of Parliament. The Board's objective is to ensure that clients receive the benefits to which they are entitled efficiently, fairly and in accordance with the available evidence and the applicable legislation. The expected result which would link this program activity to the corresponding strategic outcome is:

- Fairness in the Disability Pension, Disability Award and War Veterans Allowance Program.

The Board's performance measurement strategy in meeting its strategic outcome is measured on a quarterly basis to validate the performance indicator:

- Percentage of Federal Court decisions that upholds the Board's targets.

The Board's expected results were successfully achieved. In 2006-07, the Federal Court issued 14 rulings; 7 upheld the decision of the Board and 7 did not. The Federal Court did not rule on one decision which was returned to the Board to be re-heard pursuant to a Consent Order.

Financial Resources ($ millions):

Planned Spending	Authorities	Actual Spending
13.7	14.4	14.1

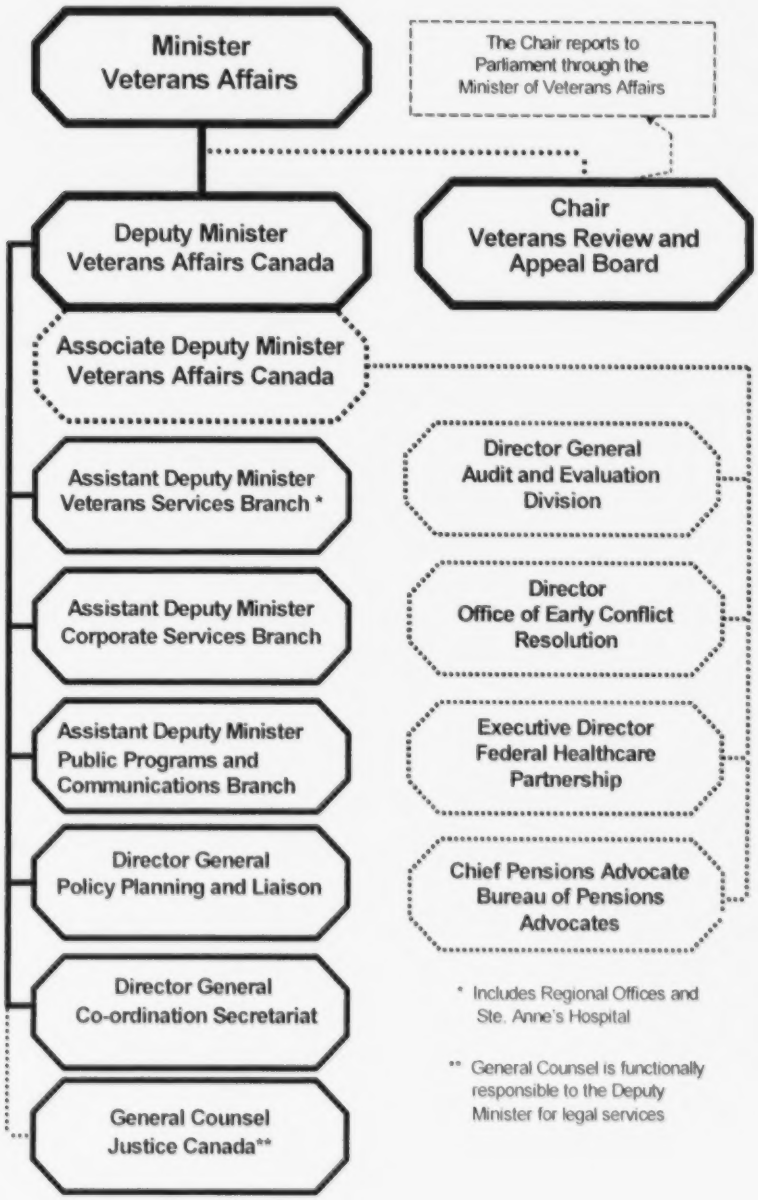
Human Resources (Full-Time Equivalents):

Planned	Authorities	Actuals
139	139	140

SECTION III - SUPPLEMENTARY INFORMATION

Organizational Information

Veterans Affairs Canada Organization



Veterans Review and Appeal Board Organization

Table 1: Comparison of Planned to Actual Spending (including FTEs)

($ millions)	2004-2005 Actual	2005-2006 Actual	2006-2007 Main [1] Estimates	2006-2007 Planned Spending	2006-2007 **Total [2] Authorities**	2006-2007 **Total Actuals**
Pensions, Awards, Allowances for Disability and Death; and Financial Support			2,064.8	2,065.4	**2,136.7**	1,932.8
Health Care and Re-establishment Benefits and Services			1,062.8	1,062.5	**1,077.9**	1,021.5
Remembrance Programming			61.5	62.5	**69.7**	59.6
Veterans Review and Appeal Board redress process for disability pensions and awards			13.7	13.7	**14.4**	14.1
Budgetary Main Estimates (gross)			3,202.8	3,204.1	**3,298.7**	3,028.0
Total	2,695.4	2,881.4	3,202.8	3,204.1	**3,298.7**	3,028.0
Less: Non-respendable revenue [3]	39.2	32.6	30.0	30.0	**30.0**	29.8
Plus: Cost of Services received without charge [4]	31.6	32.1	32.5	32.5	**32.5**	32.5
Total Departmental Spending	2,687.8	2,880.9	3,205.3	3,206.6	**3,301.2**	3,030.7
Full-time Equivalents	3,463.0	3,676.0	3,758.0	3,758.0	**3,798.0**	3,695.0

[1] Employee benefit plans are already in the Main Estimates total.
[2] For the 2006-2007 reporting cycle, the "total authorities" column refers to total spending authorities received during the fiscal year, as well as funding received from TB Vote 5 and TB Vote 10.
[3] Non-respendable revenue consists of all non-tax revenue that will be credited to the Consolidated Revenue Fund.
[4] See Table 4 for details of services provided without charge.

Table 2: Resources by Program Activity

2006-2007									
($ millions)	Budgetary							Plus: Non-Budgetary	
Program Activity	Operating	Capital	Grants	Contributions and Other Transfer Payments	Total: Gross Budgetary Expenditures	Less: Respendable Revenue	Total: Net Budgetary Expenditures	Loans, Investments and Advances	Total
Pensions, Awards, Allowances for Disability and Death; and Financial Support									
Main Estimates	107.9	-	1,956.9	-	2,064.8	-	2,064.8	-	2,064.8
Planned Spending	108.5	-	1,956.9	-	2,065.4	-	2,065.4	-	2,065.4
Total Authorities [1]	115.9	-	2,020.8	-	2,136.7	-	2,136.7	-	2,136.7
Actual Spending	116.2	-	1,816.6	-	1,932.8	-	1,932.8	-	1,932.8
Health Care and Re-establishment Benefits and Services									
Main Estimates	759.8	23.0	-	280.0	1,062.8	-	1,062.8	-	1,062.8
Planned Spending	759.5	23.0	-	280.0	1,062.5	-	1,062.5	-	1,062.5
Total Authorities [1]	769.8	13.1	-	295.0	1,077.9	-	1,077.9	-	1,077.9
Actual Spending	723.3	11.5	-	286.7	1,021.5	-	1,021.5	-	1,021.5
Remembrance Programming									
Main Estimates	24.8	9.0	25.0	2.7	61.5	-	61.5	-	61.5
Planned Spending	24.8	10.0	25.0	2.7	62.5	-	62.5	-	62.5

2006-2007									
($ millions)	Budgetary							Plus: Non-Budgetary	
Program Activity	Operating	Capital	Grants	Contributions and Other Transfer Payments	Total: Gross Budgetary Expenditures	Less: Respendable Revenue	Total: Net Budgetary Expenditures	Loans, Investments and Advances	Total
Total Authorities [1]	31.8	10.0	25.4	2.5	69.7	-	69.7	-	69.7
Actual Spending	28.8	8.8	19.8	2.2	59.6	-	59.6	-	59.6
Veterans Review and Appeal Board redress process for disability pensions and awards									
Main Estimates	13.7	-	-	-	13.7	-	13.7	-	13.7
Planned Spending	13.7	-	-	-	13.7	-	13.7	-	13.7
Total Authorities [1]	14.4	-	-	-	14.4	-	14.4	-	14.4
Actual Spending	14.1	-	-	-	14.1	-	14.1	-	14.1

[1] For the 2006-2007 reporting cycle, "total authorities" refers to total spending authorities received during the fiscal year, as well as funding received from TB Vote 5 and TB Vote 10.

Table 3: Voted and Statutory Items

($ millions)		2006-2007			
Vote or Statutory Item	Truncated Vote or Statutory Wording	Main Estimates	Planned Spending	Total [1] Authorities	Total Actuals
1	Veterans Affairs Canada - Operating expenditures	856.8	857.1	882.3	833.3
5	Veterans Affairs Canada - Capital expenditures	32.0	33.0	23.1	20.3
10	Veterans Affairs Canada - Grants and contributions	2,264.4	2,264.4	2,343.7	2,125.3
15	Veterans Affairs - Veterans Review and Appeal Board - Operating expenditures	9.4	9.4	10.0	9.5
(S)	Veterans Insurance Actuarial Liability Adjustment	0.2	0.2	-	-
(S)	Spending of proceeds from the disposal of surplus Crown Assets	-	-	0.1	0.1
(S)	Refund of amounts credited to revenues in previous years	-	-	0.3	0.3
(S)	Minister of Veterans Affairs - Salary and motor car allowance	0.1	0.1	0.1	0.1
(S)	Contributions to employee benefit plan	39.9	39.9	39.1	39.1
	Total Portfolio	3,202.8	3,204.1	3,298.7	3,028.0

[1]For the 2006-2007 reporting cycle, the "total authorities" column refers to total spending authorities received during the fiscal year, as well as funding received from TB Vote 5 and TB Vote 10.

Table 4: Services Received Without Charge

($ millions)	2006-2007
Accommodation provided by Public Works and Government Services Canada	14.3
Contributions covering employer's share of employees' insurance premiums and expenditures paid by Treasury Board Secretariat (excluding revolving funds). Employer's contribution to employees' insured benefits plans and associated expenditures paid by TBS	16.6
Workers' Compensation coverage provided by Human Resources and Skills Development Canada	0.5
Salary and associated expenditures of legal services provided by Justice Canada	1.1
Total 2006-2007 Services received without charge	32.5

Table 5: Sources of Non-Respendable Revenue

($ millions)	Actual 2004-2005	Actual 2005-2006	2006-2007			
			Main Estimates	**Planned Revenue**	Total Authorities	Actual
Veterans Affairs Program						
Health Care and Re-establishment Benefits and Services						
Ste. Anne's Hospital: In-Patient Charges to the Quebec Provincial Plan (Other Goods and Services)	15.7	15.0	14.0	**14.0**	14.0	14.2
Ste. Anne's Hospital: Dietary Meals (Other Goods and Services)	0.3	0.4	0.4	**0.4**	0.4	0.4
Ste. Anne's Hospital: Domiciliary Care (Regulatory Care)	4.2	3.9	4.0	**4.0**	4.0	3.6
Pensions, Awards, Allowances for Disability and Death; and Financial Support						
Recovery of pensions from foreign governments	4.0	3.2	2.7	**2.7**	2.7	2.7
Refund of previous years' expenditures	14.8	9.5	7.7	**7.7**	7.7	7.7
Other	0.2	0.6	1.2	**1.2**	1.2	1.2
Total Non-Respendable Revenue	39.2	32.6	30.0	**30.0**	30.0	29.8

Table 6: Resource Requirements by Branch or Sector

($ millions)	2006-2007				
Organization	Pensions, Awards, Allowances for Disability and Death; and Financial Support	Health Care and Re-establishment Benefits and Services	Remembrance Programming	Veterans Review and Appeal Board redress process for disability pensions and awards	Total Portfolio
Veterans Services Branch					
Planned Spending	2,014.3	1,030.4	-	-	3,044.7
Actual Spending	1,880.7	987.5	-	-	2,868.2
Public Programs and Communications Branch					
Planned Spending	2.6	2.0	56.9	0.4	61.9
Actual Spending	2.8	2.1	54.3	0.5	59.7
Corporate Services Branch					
Planned Spending	31.1	24.1	4.6	1.8	61.6
Actual Spending	33.4	26.7	4.5	2.3	66.9
Executive Branch [1]					
Planned Spending	17.4	6.0	1.0	0.5	24.9
Actual Spending	15.9	5.2	0.8	0.5	22.4
Veterans Review and Appeal Board					
Planned Spending				11.0	11.0
Actual Spending				10.8	10.8
Total Portfolio					
Planned Spending	2,065.4	1,062.5	62.5	13.7	3,204.1
Actual Spending	1,932.8	1,021.5	59.6	14.1	3,028.0

[1] Executive Branch includes Executive Services; Audit and Evaluation; General Counsel; Office of Early Conflict Resolution; Coordination Secretariat; Policy, Planning and Liaison; and Bureau of Pensions Advocates.

Table 7: Major Regulatory Initiatives

On April 1, 2006, Veterans Affairs Canada (VAC) began the process of implementing the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* (commonly referred to as the New Veterans Charter) and associated Regulations. The *Act* introduced a comprehensive suite of new benefits and services designed to support Canadian Forces (CF) Veterans and their families in the transition from military to civilian life. The overarching goal of this new suite of programs is to assist CF Veterans and their families achieve and maintain a good quality of life, with a focus on health and independence.

Regulations	Expected Results	Performance Measurement Criteria	Results Achieved
Canadian Forces Members and Veterans Re-establishment and Compensation Regulations	**Overall Program**: Assist CF Veterans and their families to re-establish successfully into civilian society and to achieve and maintain optimum level of health, independence and quality of life within their own community. **Job Placement**: Enhance the employability of persons for re-entry into the labour market and helping promote work opportunities. **Rehabilitation services and vocational assistance**: Will enable CF Veterans to maintain or improve their functionality and optimize their health, independence and quality of life. **Financial Benefits (FB)**: Will provide CF Veterans in rehabilitation with adequate income while recovering from a service-related or career-ending injury and also provide financial assistance if they are unable to work due to their service-related disability. **Health Benefits Program**: Supports the re-establishment of eligible CF Veterans and their families into civilian life by ensuring that they have access to supplementary health benefits that respond to their needs. **Disability Awards (DA) and Death Benefits (DB)**: Will recognize and compensate CF members and Veterans, and in some cases their	The Regulations set out the terms and conditions, scope of benefits and services to be provided to eligible clients. The integrated RBAF/RMAF describes the integrated approach that VAC uses to measure, evaluate and report on client and program outcomes. The Performance Measurement Criteria for NVC programs has been developed. Evaluation of the programs is ongoing.	Ongoing quantitative and qualitative indicators for all program components as well as client outcome indicators are currently or will be measured.

Regulations	Expected Results	Performance Measurement Criteria	Results Achieved
	survivors and surviving dependent children for the non-economic effects of a service-related disability, including pain and suffering, functional loss and the impairment. **Case Management**: A coordinated, organized and collaborative process that ensures clients with complex needs access timely and appropriate resources to optimize their level of independence and quality of life.		

Table 8: Details on Project Spending

($ millions)	Current Estimated Total Cost	Actual 2004-2005	Actual 2005-2006	2006-2007			
				Main Estimates	Planned Spending	Total Authorities	Actual
Ste. Anne's Hospital Renovation	114.3	16.3	17.2	23.4	23.4	13.1	11.9
European Monument Restoration	30.0	2.9	8.9	9.5	10.5	10.5	9.3
Total	144.3	19.2	26.1	32.9	33.9	23.6	21.2

Table 9: Details on Transfer Payments Programs (TPP)

Veterans Affairs Canada manages the following transfer payments programs in excess of $5 million:

($ millions)	2006-2007
Pensions and Allowances for Disability and Death	1,740.8
Disability Awards and Allowances	50.0
War Veterans Allowance / Civilian War Allowance	18.5
Veterans Independence Program	286.7
Last Post Fund	11.0
Commonwealth War Graves Commission	8.8

Further information on the above-mentioned Transfer Payments Programs can be found at **www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp**

Table 10: Financial Statements of Departments and Agencies

Veterans Affairs Canada
Management Responsibility for Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2007 and all information contained in these statements rests with the management of Veterans Affairs Canada. These financial statements have been prepared by management in accordance with Treasury Board Accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgement and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of Veterans Affairs' financial transactions. Financial information submitted to the Public Accounts of Canada and included in Veterans Affairs' *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal controls designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff; by organizational arrangements that provide appropriate divisions of responsibility; and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout Veterans Affairs.

Veterans Affairs Canada has a Departmental audit committee whose roles are to oversee compliance with legal and regulatory requirements as well as the integrity of financial reporting, internal controls, disclosure controls and internal audit functions. In fulfilling its responsibilities, the audit committee provides advice to assist senior management in risk management and the operation of management control frameworks.

The financial statements of Veterans Affairs Canada have not been audited.

Suzanne Tining
Deputy Minister
September 20, 2007

Keith Hillier
Senior Financial Officer
September 20, 2007

Veterans Affairs
Statement of Operations (unaudited)
For the year ended March 31

(in thousands of dollars)	2007	2006
Expenses (Note 4)		
Canada Remembers	53,495	59,391
Health care benefits	1,021,674	1,004,838
Pensions and allowances	1,946,695	1,807,131
Veterans Review and Appeal Board	15,223	16,323
Total expenses	**3,037,087**	**2,887,683**
Revenues (Note 5)		
Canada Remembers	16	19
Health care benefits	18,879	20,349
Pension allowance disability	2,786	3,264
Veterans Review and Appeal Board		1
Total revenues	**21,681**	**23,633**
Net cost of operations	**3,015,406**	**2,864,050**

The accompanying notes form an integral part of these financial statements.

Veterans Affairs
Statement of Financial Position (unaudited) at March 31

(in thousands of dollars)	2007	2006
Assets		
Financial assets		
Accounts receivable and advances (Note 6)	11,373	11,026
Non-financial assets		
Prepaid expenses	95	22
Tangible capital assets (Note 7)	107,283	88,660
Total assets	**118,751**	**99,708**
Liabilities		
Accounts payable and accrued liabilities	46,372	47,332
Vacation pay and compensatory leave	10,083	10,119
Deferred revenue	733	684
Other liabilities (Note 8)	13,623	14,042
Employee severance benefits (Note 9)	45,076	42,284
Total liabilities	**115,887**	**114,461**
Equity of Canada	**2,864**	**(14,753)**
Total	**118,751**	**99,708**
Contingent liabilities (Note 10)		
Contractual obligations (Note 11)		

The accompanying notes form an integral part of these financial statements.

Veterans Affairs
Statement of Equity of Canada (unaudited)
For the year ended March 31

(in thousands of dollars)	2007	2006
Equity of Canada, beginning of year	(14,753)	(45,709)
Net cost of operations	(3,015,406)	(2,864,050)
Current year appropriations used (Note 3)	3,027,967	2,881,436
Revenue not available for spending	(21,979)	(23,599)
Change in net position in the Consolidated Revenue Fund (Note 3)	(5,332)	6,869
Services received without charge from other government departments (Note 12)	32,367	30,300
Equity of Canada, end of year	**2,864**	**(14,753)**

The accompanying notes form an integral part of these financial statements.

Veterans Affairs
Statement of Cash Flows (unaudited)
For the year ended March 31

(in thousands of dollars)	2007	2006
Operating activities		
Net cost of operations	3,015,406	2,864,050
Non-cash items:		
Amortization of tangible capital assets	(4,571)	(4,150)
Loss on disposal of tangible capital assets		(164)
Gain on disposal of tangible capital assets		15
Adjustments to tangible capital assets	590	1,051
Services provided without charge	(32,367)	(30,300)
Variations in Statement of Financial Position		
(Increase) decrease in accounts receivable and advances	347	(3,664)
(Increase) decrease in prepaid expenses	73	(27)
Increase (decrease) in liabilities	(1,426)	11,607
Cash used for operating activities	2,978,052	2,838,418
Capital investment activities		
Acquisitions of tangible capital assets	22,604	26,308
Proceeds from disposal of tangible capital assets		(20)
Cash used for capital investment activities	22,604	26,288
Financing activities		
Net cash provided by Government of Canada	**3,000,656**	**2,864,706**

The accompanying notes form an integral part of these statements.

Veterans Affairs Canada
Notes to Financial Statements (unaudited)

1. Authority and Objectives

The Department of Veterans Affairs was established by the *Department of Veterans Affairs Act* as a department under Schedule I to the *Financial Administration Act*.

The Veterans Affairs Portfolio consists of the Department of Veterans Affairs, which reports to the Minister of Veterans Affairs, and the Veterans Review and Appeal Board, which reports to Parliament through the Minister of Veterans Affairs.

Veterans Affairs Canada objectives as stated in the *Department of Veterans Affairs Act* are the care, treatment or re-establishment in civil life of any person who served in the Canadian Forces or merchant navy or in the naval, army or air forces or merchant navies of Her Majesty, of any person who has otherwise engaged in pursuits relating to war, and of any other person designated by the Governor in Council, and the care of the dependants or survivors of any person previously referred to herein.

The Department meets its responsibilities through its various programs. The Canada Remembers program endeavours to keep alive the achievements and sacrifices made by those who have served Canada in times of war and peace. The Health Care Benefits program provides treatment and other health-related benefits to Veterans and other eligible persons. The Pensions and Allowances for Disability and Death, and Economic Support program provides pensions for disability or death and economic support in the form of allowances to Veterans and other eligible persons. The Veterans Review and Appeal Board program provides Canada's war Veterans, eligible Canadian Forces Veterans and still-serving members, RCMP clients, qualified civilians and their families with full opportunity to request review and appeal hearings to ensure a fair adjudicative process for disability pension, disability awards and War Veterans Allowance claims.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) *Parliamentary appropriations*

Veterans Affairs Canada is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to Veterans Affairs Canada do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations

and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 to these financial statements provides a high-level reconciliation between the bases of reporting.

(b) *Net cash provided by Government*

Veterans Affairs Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by Veterans Affairs Canada is deposited to the CRF and all cash disbursements made by Veterans Affairs Canada are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) *Change in net position in the Consolidated Revenue Fund (CRF)* is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by Veterans Affairs Canada. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) *Revenues* are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues. Revenues that have been received but not yet earned are recorded as deferred revenue on the Statement of Financial Position. This amount represents prepayments to Ste. Anne's Hospital for in-patient charges.

(e) *Expenses* are recorded on the accrual basis:

- Grants are recognized in the year in which the conditions for payment are met.
- Contributions are recognized in the year in which the recipient has fulfilled the terms of a contractual transfer agreement.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodations, the employer's contribution to the health and dental insurance plans, and legal services are recorded as operating expenses at their estimated cost.

(f) *Benefit payments*

The majority of the programs administered by Veterans Affairs Canada are meant to provide future benefits for members and Veterans of the Canadian Forces. As such, an actuarially determined liability and related disclosure for these future benefits are presented in the financial statements of the Government of Canada, the ultimate sponsor of these benefits. This differs from the accounting and disclosures of benefits presented in these financial statements as Veterans Affairs Canada expenses these benefits as they become due and records no accruals for future benefits. Payments of benefits

made directly to beneficiaries, such as pensions and allowances for disability, death and economic support, are recorded as grants or contributions, while benefits delivered through service providers, such as certain health care benefits are recorded as operating expenses. This accounting treatment corresponds to the funding provided to the Department through Parliamentary appropriations.

(g) *Employee future benefits*

(i) *Pension benefits*: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan, administered by the Government of Canada. Veterans Affairs Canada contributions to the Plan are charged to expense in the year incurred and represent the total Departmental obligation to the plan. Veterans Affairs Canada is not required to make contributions for any actuarial deficiencies of the Plan.

(ii) *Severance benefits*: Employees are entitled to severance benefits, as provided for under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(h) *Accounts receivables* are stated at amounts expected to be ultimately realized. A provision is made for receivables where recovery is considered uncertain.

(i) *Tangible capital assets*

All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more are recorded at their acquisition cost. Veterans Affairs Canada does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization Period
Buildings	25 years
Works and infrastructure	25 years
Machinery and equipment	5 to15 years
Informatics	2 to 5 years
Motor vehicles	5 years
Leasehold improvements	Lesser of useful life or term of the lease
Assets under construction	Once in service, in accordance with asset type

(j) *Foreign currency transactions*

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates in effect on March 31. Gain and losses resulting from foreign currency transactions are reported on the Statement of Operations according to the activities to which they relate.

(k) *Contingent liabilities* are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(l) *Environmental liabilities* reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or when Veterans Affairs Canada becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of the Department's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

(m) *Measurement uncertainty*

The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the useful life of tangible capital assets and the liability for employee severance benefits. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

Veterans Affairs Canada receives funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, Veterans Affairs Canada has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used

(in thousands of dollars)	2007	2006
Net cost of operations	3,015,406	2,864,050
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add(Less):		
Services provided without charge	(32,367)	(30,300)
Revenue not available for spending	21,979	23,599
Refund of previous years' expenses	7,727	9,520
Employee severance benefits	(2,792)	(6,051)
Amortization of tangible capital assets	(4,571)	(4,150)
Justice Canada fees	(1,585)	(1,200)
Bad debt expense	(2,697)	(157)
Vacation pay and compensatory leave	37	(1,043)
Loss on disposal of tangible capital assets		(164)
Other	4,113	1,051
	3,005,290	2,855,155
Adjustment for items not affecting net cost of operations but affecting appropriations:		
Add(Less):		
Acquisition of tangible capital assets	22,604	26,308
Prepaid expenses	73	(27)
	22,677	26,281
Current year appropriations used	3,027,967	2,881,436

(b) Appropriations provided and used

	Appropriations Provided	
(in thousands of dollars)	**2007**	**2006**
Vote 1 - Operating expenditures	882,315	832,165
Vote 5 - Capital expenditures	23,075	32,351
Vote 10 - Grants and Contributions	2,343,715	1,986,811
Vote 15 - Program expenditures	10,017	9,869
Statutory amounts	39,565	41,056
	3,298,687	**2,902,252**
Less:		
Lapsed appropriations	(270,720)	(20,816)
Current year appropriations used	3,027,967	2,881,436

(c) Reconciliation of net cash provided by Government to current year appropriations used

(in thousands of dollars)	2007	2006
Net cash provided by Government	3,000,656	2,864,706
Revenue not available for spending	21,979	23,599
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	(347)	3,664
Variation in accounts payable and accrued liabilities	(960)	(17,727)
Variations in deferred revenue	49	(480)
Other adjustments	6,590	7,674
	5,332	(6,869)
Current year appropriations used	**3,027,967**	**2,881,436**

4. Expenses

The following table presents details of expenses by category:

(in thousands of dollars)	2007	2006
Transfer payments		
Individuals	2,098,279	1,948,420
Non-profit organizations	13,183	13,817
Other countries and international organizations	8,859	8,685
Other	15	182
Total transfer payments	2,120,336	1,971,104
Operating		
Professional and special services	310,588	310,593
Salaries and employee benefits	291,708	288,509
Utilities, materials and supplies	217,658	221,116
Transportation and communications	39,353	43,393
Repairs and maintenance	20,003	19,944
Accommodations	14,700	14,900
Amortization	4,571	4,150
Loss on disposal of tangible capital assets		164
Other	18,170	13,810
Total operating expenses	916,751	916,579
Total expenses	**3,037,087**	**2,887,683**

5. Revenues

The following table presents details of revenues by category:

(in thousands of dollars)	2007	2006
Hospital services	17,723	19,411
Meals	362	361
Sale of goods and information products	114	68
Gain on disposal of tangible capital assets		15
Other revenue	3,482	3,778
Total revenues	**21,681**	**23,633**

6. Accounts Receivable and Advances

The following table presents details of accounts receivable and advances:

(in thousands of dollars)	2007	2006
Receivables from external parties	18,232	17,963
Receivables from other Federal Government Departments and agencies	4,251	2,977
Advances	952	132
Sub-Total	23,435	21,072
Less: allowance for doubtful accounts on external receivables	(12,062)	(10,046)
Total	11,373	11,026

7. Tangible capital assets

The following tables present details of tangible capital assets:

	Cost			
(in thousands of dollars) Capital Asset Class	Opening balance	Acquisitions	Disposals and adjustments	Closing balance
Land	338	274		612
Buildings	66,453			66,453
Works and infrastructure	4,411	6		4,417
Machinery and equipment	3,696	551	(155)	4,092
Informatics	11,685	851	(1,743)	10,793
Motor Vehicles	1,284	68		1,352
Leasehold Improvements	335			335
Assets under construction	60,083	20,854	355	81,292
Total	148,285	22,604	(1,543)	169,346

Accumulated Amortization				
(in thousands of dollars) Capital Asset Class	Opening balance	Amortization	Disposals and adjustments	Closing Balance
Land				
Buildings	43,587	2,659		46,246
Works and infrastructure	2,686	177		2,863
Machinery and equipment	1,771	839	(206)	2,404
Informatics	10,650	697	(1,927)	9,420
Motor Vehicles	772	157		929
Leasehold Improvements	159	42		201
Assets under construction				
Total	59,625	4,571	(2,133)	62,063

Amortization expense for the year ended March 31, 2007 is $4,571 (2006 - $4,150)

Net Book Value		
(in thousands of dollars)	2007	2006
Capital Asset Class	Net book value	Net book value
Land	613	338
Buildings	20,208	22,866
Works and Infrastructure	1,554	1,725
Machinery and Equipment	1,688	1,925
Informatics	1,372	1,035
Motor Vehicles	423	512
Leasehold Improvements	134	176
Assets under construction	81,291	60,083
Total	107,283	88,660

8. Other liabilities

Other liabilities represent funds received from parties which are to be disbursed for specified purposes. The following table presents the details of other liabilities:

(in thousands of dollars)	Balance April 1, 2006	Receipts and other credits	Payments and other charges	Balance March 31, 2007
Administered accounts	2,224	283	841	1,666
Estate fund	3,574	1,036	25	4,585
Veterans administration and welfare trust fund	561	350	81	830
Returned soldiers' insurance fund	17	0	8	9
Veterans insurance fund	7,578	22	1,081	6,519
Other accounts	88	36	110	14
Total	14,042	1,727	2,146	13,623

(a) *Administered accounts*

Pursuant to section 41 of the *Pension Act*, section 15 of the *War Veterans Allowance Act*, section 55 of the *Veterans Treatment Regulations* and section 8 of the *Guardianship of Veterans Property Regulations*, moneys held in these accounts include: pensions, war veterans allowances and treatment

allowances placed under the administration of the Department of Veterans Affairs; and, benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated their inability to manage their own affairs. Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities to the client.

(b) *Estates fund*

This account was established to record the proceeds from the estates of those Veterans who died while receiving hospital treatment or institutional care, and for those Veterans whose funds had been administered by the Government, in accordance with sections 5, 6 and 7 of the Veterans' Estates Regulations. Individual accounts are maintained and payments are made to beneficiaries pursuant to the appropriate legislative authority.

(c) *Veterans administration and welfare trust fund*

This account was established to record donations, legacies, gifts, bequests, etc., received, to be disbursed for the benefit of Veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the Guardianship of Veterans' Property Regulations.

(d) *Returned soldiers' insurance fund*

This fund was established by the *Returned Soldiers' Insurance Act*, to provide life insurance to contributing Veterans of the First World War. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial adjustment as at March 31, 2006 of $1,671 was charged to the account during the year and was credited to revenues. The final date on which application for this insurance could have been received was August 31, 1933.

(e) *Veterans insurance fund*

This fund was established by the *Veterans' Insurance Act*, to provide life insurance to contributing Veterans of the Second World War. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 2006 of $16,194 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received was October 31, 1968.

(f) *Other accounts – Shared-cost agreements*

This account was established to record transactions relating to share of costs incurred under federal/provincial cost-sharing agreements and funding for research and other projects at Ste. Anne's Hospital.

9. Employee Benefits

(a) *Pension benefits*

Veterans Affairs Canada employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and Veterans Affairs Canada contribute to the cost of the Plan. The 2006-07 expense amounts to $28,765,351 ($30,089,952 in 2005-06), which represents approximately 2.2 times (2.6 in 2005-06) the contributions by employees.

Veterans Affairs Canada responsibility with regards to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) *Severance benefits*

Veterans Affairs Canada provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2007	2006
Accrued benefit obligation, beginning of year	42,284	36,233
Expenses for the year	7,334	9,279
Benefits paid during the year	(4,542)	(3,228)
Accrued benefit obligation, end of year	45,076	42,284

10. Contingent liabilities

(a) *Contaminated sites*

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where the Department is obligated or likely to be obligated to incur such costs. Veterans Affairs Canada has identified approximately four sites (unchanged from March 2006) where such action is thought to be possible. A liability has not been recorded as Veterans Affairs Canada is unlikely to incur remediation costs.

Veterans Affairs Canada's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by the Department in the year in which they become known.

(b) *Claims and litigation*

Claims have been made against Veterans Affairs Canada in the normal course of operations. Legal proceedings for claims totalling approximately $428,000,000 (unchanged from 2006) were still pending at March 31, 2007. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

The Government is a defendant in a class action lawsuit which claims damages from the alleged failure of the Crown to invest or provide a rate of return on monies administered for the benefits of Veterans. On December 29, 2005, a damage award was ordered by the Ontario Superior Court in the amount of $4.6 billion, effective December 31, 2004. The government appealed and on July 4, 2007, the Ontario Court of Appeal allowed the Crown's appeal, set aside the judgment for damages and dismissed the action. Plaintiff's counsel has announced an intent to seek leave to appeal to the Supreme Court of Canada. No amount has been recorded in the financial statements of the Department given the uncertainty of the outcome.

11. Contractual Obligations

The nature of Veterans Affairs Canada' activities can result in some large multi-year contracts and obligations whereby the Department will be obligated to make future payments when the services/goods are received. Significant obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2008	2009	2010	2011	2012 and thereafter	Total
Ste. Anne's Hospital Modernization Project	20,000	19,000	8,000			47,000
Total	20,000	19,000	8,000			47,000

12. Related party transactions

Veterans Affairs Canada is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. Veterans Affairs Canada enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, Veterans Affairs Canada received services which were obtained without charge from other Government departments as presented in part (a).

(a) *Services provided without charge*:

During the year Veterans Affairs Canada received without charge from other departments, accommodations, legal fees, and the employer's contribution to health and dental insurance plans. These services without charge have been recognized on the Department's Statement of Operations as follows:

(in thousands of dollars)	2007	2006
Accommodations	14,700	14,900
Employer's contribution to the health and dental insurance plans	16,556	14,600
Legal services	1,111	800
Total	32,367	30,300

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included as an expense in Veterans Affairs' Statement of Operations.

(b) Payables outstanding at year-end with related parties:

(in thousands of dollars)	2007	2006
Accounts payable to other government departments and agencies	9,004	9,383

13. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

Table 11: Response to Parliamentary Committees, and Audits and Evaluations for FY 2006-2007

Response to Parliamentary Committees
On February 22, 2007, the House of Commons Standing Committee on Veterans Affairs tabled its second report, entitled "A Helping Hand for Veterans: Mandate for a Veterans Ombudsman". While the Committee had not requested an official Government response, the Prime Minister announced the establishment of a Veterans' Ombudsman on April 3, 2007, explaining that the Ombudsman would: operate at arm's length from the Government; play an important role in raising awareness of the needs and concerns of Veterans; and, submit an annual report to the Minister of Veterans Affairs, to be tabled in Parliament.

Veterans Affairs Canada develops its annual audit and evaluation plan using a risk-based approach. This plan is approved by an Audit and Evaluation Committee, chaired by the Deputy Minister. The intent of the audit and evaluation plan is to ensure that the projects are clearly aligned with VAC's Five-Year Strategic Plan, Program Activity Architecture, and Management Accountability Framework. The Department undertakes audit and evaluation projects in areas that are deemed the highest risks, focussing attention where use of the available resources would best achieve the Department's objectives. The following criteria are considered during project selection: materiality, likelihood, complexity and sensitivity/reputation. During the ranking of the proposed engagements, consultations are held with senior managers, program managers and audit and evaluation staff. Findings and recommendations of previous audits, evaluations and reviews, as well as the extent of follow-up and corrective action taken by management are also used to assess potential projects. Audit schedules are compared with those of the Office of the Auditor General and Veterans Affairs' Sustainable Development Strategy in order to prevent overlapping visits and undue interference with operations. Consultation with partners is conducted on an ongoing basis.

The long range plan attempts to provide some balance, so that a variety of functions, activities and organizational entities are covered annually through cyclical projects (e.g. Financial Management and Control, Residential Care, and Organizational Governance). Follow-up to findings also contribute to current and future year planning. The plan has some flexibility to allow for requests from management for special studies demanded by unforeseeable circumstances, from central agencies for Transfer Policy requirements, and for follow-up reviews on the actions taken on recommendations.

Throughout the year, there are a number of internal audits, evaluations and responses to the Auditor General conducted across the Portfolio. Internal audits are objective examinations of evidence for the purpose of providing an independent assessment of the soundness of risk management strategies and practices, management control frameworks and practices, and information used for decision-making and reporting. Audits and evaluations improve the effectiveness of programs and their delivery in two ways. First, they help managers to design (or improve the design of) policies, programs and initiatives. Second, they provide periodic assessments of policy or program

effectiveness and information on impacts (both intended and unintended) and alternative ways of achieving expected results.

In addition to the internal audits and evaluations listed below, Audit and Evaluation is also periodically requested to conduct Management Consults and Reviews. These encompass a variety of studies aimed at providing decision-making information to senior management on selected issues.

Program areas are invited and do respond to all recommendations and observations raised in audit and evaluations through Management Responses and Management Action Plans. The Audit and Evaluation Division (AED) further completes a follow-up process where documentation and other evidence provided is examined to ensure actions within these program areas fully satisfy the recommendations raised. These steps are fulfilled before finally closing off the report.

The Audit and Evaluation Division is also the central point of contact for all Office of the Auditor General (OAG) activities. AED staff manage reporting to the OAG, notify and work with the program areas to develop action plans and respond to any OAG observations or recommendations. This includes reports to Parliament as well as the annual audits of the financial public accounts statements and the sustainable development strategy.

Internal Audits or Evaluations	Completion Date
Organizational Governance Audit/Evaluation Report Volume I - Bureau of Pensions Advocates (BPA) The purpose of the audit/evaluation report was to provide an independent, cyclical assurance that the BPA program and initiatives have the capacity, as shown by organizational performance, to demonstrate and account for results.	July 2006
Administered Accounts - Phase I Assurance Audit The purpose of the audit was to provide management with an independent assessment of VAC's compliance with governing authorities regarding administered accounts.	July 2006
Audit/Evaluation of the Residential Care Program (Ontario Region) The purpose of the review was to identify issues, problems and opportunities associated with VAC's Health Care Program.	July 2006
Evaluation of VIP for Renewal The objective was to assess the program purpose and design, strategic planning, program management and program results and accountability for the purposes of renewing the Terms and Conditions in accordance with the Treasury Board Policy on Transfer Payments.	December 2006

Management of Client and Subject Information Holdings The scope of the assessment included examining the risks, controls and governance processes used by Veterans Affairs in the management of its client and subject information, excluding the examination of financial and human resources information. The objective was to recommend critical high risk areas that may warrant consideration for a future audit and/or evaluation.	December 2006
Audit/Evaluation of the Organizational Governance Volume II Veterans Services (VS) - Atlantic Region The purpose was to provide an independent, cyclical assurance that the VS Atlantic Region's programs and initiatives have the capacity, as shown by organizational performance, to demonstrate and account for results.	December 2006
Ste. Anne's Hospital Modernization Review The purpose of this review was to provide management with a status report of how well VAC is managing this undertaking; a cursory assessment of the managerial and operational controls framework; the information output; and the compliance practices.	December 2006
Internal audits and evaluations can be found on the following Web site: **www.vac-acc.gc.ca/general/sub.cfm?source=department/reports/deptaudrep**	

For additional details, please contact the Director General, Audit and Evaluation at 902-566-8018.

Table 12: Sustainable Development Strategy

In Sustainable Development Strategy (SDS) 2004-2006, there were 83 milestones along four themes: sustaining the health and well-being of our clients; sustaining the health and well-being of our staff; sustaining knowledge and information; and, sustaining government operations. Of these milestones, 54 per cent were achieved or ongoing and 46 per cent were not achieved. Although VAC met with mixed success amongst the themes, many milestones contributed to the success overall of the SDS. Several incomplete milestones were as a result of their interdependency with other milestones. Several of the environmental milestones that were not achieved have been incorporated in the 2007-09 SDS. The results of 2004-06 SDS and the new 2007-09 SDS can be found on the VAC Web site at:
www.vac-acc.gc.ca/general/sub.cfm?source=department/reports#04

Our SDS 2004-2006 offered valuable "lessons learned" for SDS 2007-09. This document, which was tabled in December 2006, has a more manageable number of commitments that follow a more government-wide approach and are in the areas of: federal governance, greenhouse gas emissions, green stewardship, quality of life, regulatory compliance, and waste and water management. Although we are early into this strategy, we have already seen some success in our paper reduction commitment. Printers at Head Office have been set to automatically duplex print. This has resulted in considerable paper savings in some offices. Other initiatives are being implemented throughout the Department to ensure our targets are met.

Although Sustainable Development is not closely tied to the mandate and strategic outcomes of the Department, Veterans Affairs Canada feels the need to do its utmost to protect our environment for future generations.

Table 13: Client-Centred Service

The Government of Canada's Service Improvement Initiative was launched in 2000 with the goal of achieving, from a citizen-centred perspective, a minimum 10 per cent increase in client satisfaction by 2005. In response to this challenge, VAC has conducted three National Client Satisfaction Surveys (2001, 2003 and 2005); issued a revised *At Your Service* brochure in 2005, which outlined the Portfolio' service standards for most of its programs and services; and, following an analysis of the 2001 National Client Satisfaction Survey results, developed Service Improvement Plans and Compendium of Actions, which guided VAC's service improvement initiatives from 2002 to 2007.

For the three consecutive surveys (2001, 2003 and 2005), the survey questions have remained relatively unchanged. Using the Common Measurements Tool, similar questions are asked which allows us to compare results from year to year. The chart below shows how our clients have rated their overall levels of satisfaction with VAC services over the years:

VAC National Client Satisfaction Surveys	2001	2003	2005
Overall Levels of Satisfaction for All Clients	85%	87%	84%

A fourth National Client Satisfaction Survey is scheduled for fall 2007. During the reporting period, consultations have taken place within the Department regarding the measurement criteria of this survey. Modifications to the survey will allow VAC to conduct more program-specific surveying to capture client satisfaction with specific programs and services offered by VAC and assist VAC in its public performance reporting.

VAC's service standards were initially published in 1995, in its *At Your Service* brochure. This brochure has undergone two revisions, one in 1998 and one in 2005. The performance against VAC's standards for general service delivery has been measured by using the results of the 2005 National Client Satisfaction Survey. During the past year, VAC began work on a review of the *At Your Service* brochure with the goal of releasing a revised brochure in 2008. This revision will provide up-to-date service commitments for VAC's major programs and services. Details of the performance against the service standards will be posted on the Department's web site.

On April 3, 2007, in our continuing efforts to improve client service, a *Veterans Bill of Rights* was created and the office of a Veterans Ombudsman was established.

The Bureau of Pensions Advocates (BPA) is an organization within Veterans Affairs Canada that provides free legal advice and representation to VAC clients who are not satisfied with decisions regarding their disability benefits. The Bureau has 14 District Offices across Canada, each staffed by at least one lawyer, as well as an Appeal Unit in Charlottetown comprised of a team of lawyers.

Last year BPA cleared more than 15,000 cases, up more than 17 per cent from the year before. BPA lawyers continued to set a high standard for client service, despite their heavy workload pressures.

In its ongoing effort to respond to client concerns as they arise, BPA uses a client questionnaire to gauge client satisfaction with the services they receive from lawyers and other BPA staff. In 2006-07, 97 per cent of clients who responded at the Review level said they were satisfied or very satisfied with the advice they received from their lawyer. For Appeal Hearings, 95 per cent responded favourably. When asked to rate their overall satisfaction with BPA's services, 93 per cent responded that they were satisfied or very satisfied.

For the Veterans Review and Appeal Board, 90 per cent of 5,743 review decisions were finalized within an average of 29.2 calendar days, and 90 per cent of 1,271 appeal decisions were finalized within an average of 24.1 calendar days. The Board's service standard is to provide a written decision within 30 days from the hearing date. A total of 310 claims were not finalized within 60 days. Of this number, 183 written communications were sent to appellants to advise them that the decision would be delayed. Decisions on 167 cases were issued shortly after the 60-day time frame.

Supplementary information on Client Centred Service can be found at **www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp**

Table 14: Travel Policies

The Veterans Affairs Portfolio follows and uses TBS Travel policies parameters.

Table 15: Storage Tanks

Status of Fuel Storage Tanks on VAC-owned Land

Annual Report for March 31, 2007

As required under the CEPA, Part IV, *Registration of Storage Tank Systems for Petroleum Products and Allied Petroleum Products on Federal Lands Regulations*, this report provides the information set out in Schedule II of the aforementioned regulation, updated to December 31, 2005.

The following number of *aboveground* storage tank systems:

Are registered with the appropriate federal department: **9**

Comply with the *Federal Aboveground Storage Tank Technical Guidelines*: **9**

Do not comply with the *Federal Aboveground Storage Tank Technical Guidelines*: **0**

The following number of *underground* storage tank systems:

Are registered with the appropriate federal department: **0**

Comply with the *Federal Underground Storage Tank Technical Guidelines*: **0**

SECTION IV – OTHER ITEMS OF INTEREST

The 2005 Public Service Employee Survey (PSES) was publically released in July 2006. The Portfolio's response rate was one of the highest received. At Veterans Affairs, the overall level of employee satisfaction remains high and above the Public Service-wide averages. Veterans Affairs employees reported being very satisfied with their workplace. Veterans Affairs is responding to the results by bringing together a representative group of managers, employees and union members to develop a Portfolio-wide Action Plan. This plan will be finalized in 2007-08. Managers are also using the survey results as a resource. For instance, managers are engaging employees through consultation in decision-making that affects them.

Information Technology and Telecommunications (ITT) continued to enhance the award-winning Client Services Delivery Network (CSDN) while at the same time developing additional systems applications for new programs and services offered under the New Veterans Charter (NVC.) On January 19, 2007, the Department accepted four information technology (IT) related Awards of Excellence. Specifically, these awards recognized VAC's significant contribution to the Government Online initiative and for outstanding teamwork in My Account, Portageur and Seniors Canada On-line initiatives.

To meet the growing demand for on-line access to programs and services, VAC's presence on the internet was increased. In addition to "My VAC Account", where clients can review their summary information and apply for disability benefits in a secure on-line environment, ITT has provided additional internet access to new services available under the NVC. Client service has been further enhanced through the expansion of the on-line Electronic Health Forms System which engages third-party health professionals.

The increasing demand for Departmental programs and services has increased the demand for timely, accurate and secure information. VAC's telecommunications infrastructure was upgraded through the Converged Network Services initiative which will improve the speed and reliability of data transmission. ITT completed the first phase of a Storage Area Network project which provides more secure, reliable and affordable retention of Departmental information.

VAC continues to play a lead role in the Federal Healthcare Partnership (FHP), which is a voluntary alliance of six federal government organizations with responsibilities for ensuring delivery of healthcare services to specific client groups in Canada. The FHP Secretariat is housed under VAC and reports to the Associate Deputy Minister of VAC.

The FHP operates according to a Charter. Its mission is to identify, promote and implement more efficient and effective health care programs through the collaboration of the Partners. The objectives of the Partnership are to achieve economies of scale, while ensuring provision of care for their clients; and to provide leadership on key healthcare issues. These objectives are met through collaborative work undertaken by the Partners in a number of areas, including: audiology, dental care, Federal/Provincial/Territorial

representation, health human resources, health information management, medical equipment recycling, mental health, pharmacy, and vision care.

Acting together the Partners are able to achieve cost savings and influence healthcare policy in ways that might not otherwise be available to them – all to the benefit of the Partners' programs and clients. These collaborative efforts allowed the partners to realize a cost savings/avoidance in the delivery of health services.

The Veterans Review and Appeal Board has strengthened management practices in a number of areas. The Board completed an Organizational Review and developed a Human Resources and Business Plan 2006-2009 which integrates resources with planning initiatives and provides for training and succession planning. As an integral part of strategic planning, the senior management team and unit supervisors participated in the annual risk assessment session. This assessment emphasized areas requiring senior management attention and guided the annual strategic planning decisions.

In 2006 the Board requested that the VAC Audit and Evaluation Division conduct an Organizational Governance Compliance Audit. This project included information sessions on the Management Accountability Framework and facilitated surveys for Members and staff as well as discussion groups and a number of interviews. The report results and recommendations will be completed in 2007-08.

The Board conducted quarterly strategic plan reviews to keep its focus on progress toward its priorities and four major initiatives. Environmental scans were instrumental in identifying factors that could influence the operating environment. Extensive performance information supported management discussions and decisions, including resource allocation and identification of priorities. The Board's goal is to ensure accountability for its resources in all areas of its program.

Web Sites

The following Web sites will provide more detailed information on material provided in this report. If further information is required, contact may be made through our general inquiries lines listed on the last page of this report.

Audit and Evaluation Reports
www.vac-acc.gc.ca/general/sub.cfm?source=department/reports/deptaudrep

Books of Remembrance Web site
www.vac-acc.gc.ca/remembers/sub.cfm?source=collections/books

Canada Remembers
www.vac-acc.gc.ca/remembers/

Canada Remembers Calendar of Events
www.vac-acc.gc.ca/remembers/sub.cfm?source=events

Canadian Forces Public Info Sheets
www.vac-acc.gc.ca/remembers/sub.cfm?source=history/CanadianForces/factsheets

Canadian Virtual War Memorial Web site
www.virtualmemorial.gc.ca

Cenotaph/Monument Restoration Program Web site
www.vac-acc.gc.ca/remembers/sub.cfm?source=memorials/cenotaph

Clients
www.vac-acc.gc.ca/clients/

DND-VAC Centre for the Support of Injured Members, Injured Veterans and their Families
www.dnd.ca/hr/thecentre/engraph/home_e.asp

Heroes Remember Web site
www.vac-acc.gc.ca/remembers/sub.cfm?source=collections/hrp

Human Resources Five-Year Strategic Plan
www.vac-acc.gc.ca/general/sub.cfm?source=department/reports

Mental Health
www.vac-acc.gc.ca/clients/sub.cfm?source=mhealth

National Client Satisfaction Survey
www.vac-acc.gc.ca/general/sub.cfm?source=department/reports/ncss05

New Veterans Charter
www.vac-acc.gc.ca/clients/sub.cfm?source=Forces/nvc

On-line Services
www.vac-acc.gc.ca/clients/sub.cfm?source=e_services

Partnering Opportunities Web site
www.vac-acc.gc.ca/remembers/sub.cfm?source=partner

Providers and Professionals
www.vac-acc.gc.ca/providers

Regulations
www.vac-acc.gc.ca/general/sub.cfm?source=department/Legislation

Royal Canadian Mounted Police
www.vac-acc.gc.ca/clients/sub.cfm?source=rcmp

Service Improvement Initiative
www.vac-acc.gc.ca/general/sub.cfm?source=department/reports/sii05_performance

Ste. Anne's Hospital
www.vac-acc.gc.ca/general/sub.cfm?source=steannes

Strategic Plan (Veterans Affairs Canada)
www.vac-acc.gc.ca/general/sub.cfm?source=department/reports

Strategic Plan (Veterans Review and Appeal Board)
www.vrab-tacra.gc.ca/VRAB-TACRA_Documents.htm

Sustainable Development Strategy
www.vac-acc.gc.ca/general/sub.cfm?source=department/reports

Veterans Affairs Canada
www.vac-acc.gc.ca/general/

Veterans Review and Appeal Board
www.vrab-tacra.gc.ca

Veterans' Week Web site
www.vac-acc.gc.ca/remembers/sub.cfm?source=feature/vetweek

Youth and Educators
www.vac-acc.gc.ca/youth/

General Inquiries

If you wish to make a general inquiry about Veterans Affairs Canada, its programs or services, please call 1-866-522-2122 (English) or 1-866-522-2022 (French). If you wish to make a general inquiry about the Veterans Review and Appeal Board, please call 1-800-450-8006 (English) or 1-877-368-0859 (French).

Portfolio Publications

The Portfolio produces a variety of publications on its programs and services. Copies of these publications can be obtained from your nearest Veterans Affairs Canada district or regional office.

Our staff in Corporate Planning are responsible for coordinating the development of this report, the associated Report on Plans and Priorities, as well as a number of other Departmental reports. These are available on-line at: **www.vac-acc.gc.ca/general/sub.cfm?source=department/reports**.

For more information or if you have any questions, please contact:

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